

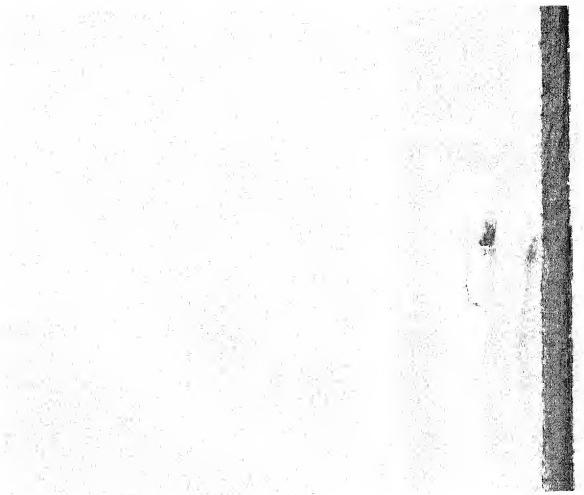
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MULTILEVEL PLANNING IN INDIA

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JANUARY 1978



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INTRODUCTION

Chapter One

Planning is defined in many ways. From a purely operational point of view, planning can be understood to be concerned with the best way of producing results. Naturally there is an effort to obtain knowledge of the area of concern of planning. Substantial literature is available on the various methodologies and tools of analysis of socio-economic factors related to planning. The reality of plan process requires not only understanding of the subject matter of planning but also appreciation of the agencies in which the planner has to operate and the procedures that govern the planning process. While the former set of problems can be described as substantive issue, the latter set of problems ~~can be described as substantive issue~~, the latter set of problems can be described as procedural issue. In other words, planning viewed as a procedure, is also capable of manipulation. Consequently, it can be treated as an object of planning. A study of the process of planning is, therefore of some interest.

2. The plan processes in India are distinguished

by certain unique characteristics. Firstly, it is considered to be a pioneering experiment in planning for development of a less developed country in a democratic framework (as understood in Western parlance and no value preference is attached to this system). Secondly, the vastness and complexity of the national situation necessitates planning not only at Union level but also at State level. Even this found to be inadequate resulting in a demand for local and intermediate planning. Experimentations are going on in this field. Thirdly, multiple institutions have been developed in the public sector in the form of Corporate Bodies, Societies, etc. to participate in planned development. Fourthly, while satisfaction is expressed on the level of sophistication achieved in tackling substantial aspects of planning, on procedural aspects, there have been serious misgivings. These misgivings are expressed either in terms of "political interference", "bureaucratic bungling", "un-realism", "inadequate implementation" etc. Viewed in this light, it is felt that it would be worthwhile to study plan process in India with a specific focus on multi-level planning..

3. In India, the small house-hold production units

mostly operated by self-employed persons are predominant.

These production units (particularly large number of farmers) have their own considerations in making their decisions about the nature and levels of production.

These relate to choice of crops, inputs, technology, farm-practices etc. These large dispersed units in the economy will have to be influenced to achieve plan objectives through a series of incentives, dis-incentives and a provision of enabling infrastructural facilities.

The autonomous nature of decision making by primary production units and large number of such production units dispersed over a wide and differentiated areas, demand a highly flexible and varied use of the instruments of planning to suit different local situations. At the same time, the demands of consistencies and integration of the overall objectives of the system require that the instruments are operated within a common frame. This challenge has to be met by a variety of agencies operating at different area-levels with different degrees of freedom in respect of defined functions. This in brief, is the major challenge for the Indian plan process.

4. The basic issue in a situation like this relates to be problems of handling information for purposes of effective planning. Indeed, the limits to absolute

rationality are set by the problems of collecting and analysing information. Absolute rationality requires considerations of all possible alternatives and, therefore, this would involve collection of all possible information. Operationally, however, there is a cost of collecting information and there is a limit to which cost can be incurred on collecting such information. Further, the capacity of individuals as well as organisations to handle the information has also to be appreciated. The information has to be collected and has to be handled so that choices are made in time for decisions to be effectuated appropriately.

5. Operationally, this problem is tackled by certain methods of handling information and these methods necessarily involve certain compromises with absolute rationality.

(i) Routine solutions can be suggested for each of the patterns so that once the pattern is identified, the solution is applied without going into further details. In other words, the decision maker does not or need not know the logic or even the purposes of the solution and his business would be only to identify the pattern and apply the routine solutions.. This is how routinisation occurs in planning as an important means of overcoming

the problem of information handling; (ii) a minimum standards approach can be adopted. Certain minimum standards could be prescribed to take up any particular programme or scheme. Where any programme or scheme happens to meet the stated objectives, then it could be taken up. In other words, no additional information or additional decision making rules are invoked to decide; (iii) successive approximation could be another way in which this problem is solved. On the basis of certain basic information, fundamental or broad decisions are taken and the details are worked out within this broad framework. As the details are worked out, it might come about that the broad framework itself has to be changed and therefore analysts go back to the broad framework. In other words, instead of simultaneous solution of all problems, planning by stages is introduced and a process of successive approximations applied; (iv) an interative approach is a slightly varied version of successive approximation approach. The process of interation generally occurs between two distinct organisations or area-levels at which planning is undertaken. It is essentially a collaborative, up and down exercise to arrive at an agreed solution. The process of interation is based on method of successive approximation, but the objectives of participating

agencies need not necessarily coincide; (v) in areas of extreme uncertainties, we may have to even accept subjective decisions as rational. For instance, the situation may be so fluid that reliable information as to the nature of the system would not be possible at all. In such a situation one view can be as good as another. The decision maker's preference in this case would be a good guide. In case, even such a preference is not to be found, we may end up with a situation where there is absolute random decision making. The point that is made is that there may be circumstances when information is so scanty or so unreliable that any decision is as good as any other; and (vi) it is not necessary that all relevant or optimal solutions should emanate out of information analysis; though they usually do. A solution not emanating out of rational process of information-gathering and analysis is not necessarily irrational. Judged by rational criteria for optimisation, if a solution is good, it is immaterial as to whether it emanates out of information-analysis or out of a sense of creativity. In other words, there is a scope for creativity in planning and if information available is less or costly there is an increased role for such creativity in planning.

6. The complexity of information system and the handling capacities therefore have resulted in the creation of multiple agencies in India. Planning is also undertaken at the Centre and State levels and there is an increasing emphasis on planning at levels below the State also. It is, therefore necessary to appreciate that the planning process should deliberately take cognizance of the various compromises possible and appropriate methods will have to be developed to meet this situation. Excessive insistence on information gathering and an effort to analyse tends to result in a number of incongruous situations. Voluminous data largely unusable may be built up. Decisions may be questioned simply because the intellectuality satisfying process of rationality has not been indulged in. Indeed, it may result in one set of people operating at a conceptual or intellectual level while another set of people react to the situation on an ad hoc basis.

7. Planning is described as a continuous process and essentially as an approach. At the same time, planning is usually viewed as a blue-print for action. The whole process of planning can be viewed not simply as producing blue-prints of action at set-intervals but as one of continuous process of decision making and implementation. Thus while in the extreme there is no justification for

any blue-print at stated time intervals, the operational requirements of clarity and inter-action between agencies demands production of a blue-print. A blue-print approach may have a contingency plan. The justification for contingency plan arises when it is observed that formulating a plan at the time of contingency is costlier or would be more difficult when compared to preparing it in advance.

8. In the extreme, a blue-print represents a preconceived and a rigid course of action, while the process approach in the extreme means that there is no blue print. In reality however there could be no blue-print which gives complete details and which could be unaltered for the period for which it is operative. In reality, therefore, a blue-print is prepared containing such broad framework as would be useful to enable understanding of the basic parameters, simultaneously providing scope for a process of rationality to meet changing situations or varied situations. The degree of control over the subject matter of planning, the element of uncertainties in the system which is being subjected to planning, and the time-lag in getting information and analysing the situation for timely response are some of the factors which would determine the extent to which the blue-print may contain the details. In the Indian context, the predominance with dis-organised sector characterised by a large number

autonomous decision making production units, the plan process warrants multiple agencies at multiple area levels. In such a complex situation, it would be necessary to attempt a blue print which will have as broad framework as possible and it may have to be developed into programmes through a process-approach at operational levels.

9. There is also an incessant effort to make planning as comprehensive as possible. In absolute sense, rationality involves a comprehensive view of all possible situations and identification of all possible alternatives so that an ideal decision can be taken. Absolute rationality demands a very large degree of comprehensiveness. Some of the limitations to this in terms of information handling capacities has already been described in the earlier sections of this chapter. The opposite extreme of comprehensive planning, in theory, would be, isolated, dispersed, ad-hoc decision making by various bodies, and this would really be no planning. Operationally, the other extreme of comprehensive planning is generally described as disjointed incrementalism and involves usually decisions at the margin, based on appreciation of very limited options and consequences, by agencies which are not centrally coordinated. The degree of penetration of governmental decisions on the various aspects of economy

as dictated by socio-political and legal framework, as well as the range of responsibilities and powers of planning agencies in the governmental set up would determine the extent of comprehensiveness in planning. Further, the degree of centralisation of power among the planning agencies themselves would govern the degree of comprehensiveness in planning. The planning agencies might be organised in a hierarchical fashion at a single level, or at multiple levels, and they could also be semi-autonomous and multilevel. Greater the decentralisation, greater would be the difficulties of attempting comprehensiveness (and lesser comprehensiveness may be more optimal). The nature and extent of linkages among various planning agencies would, also, therefore, determine the degree of comprehensiveness.

10. At this stage, it would be useful to present an approach called "The reduced Planning approach" developed in the context of regional development planning by German School. The comprehensive planning approach is treated as consistent but seldom feasible in practice. The project approach is feasible but often not consistent. The reduced approach - which is a compromise - is suggested as an alternative to avoid the pitfalls of both the approaches.

The reduced approach take cognizance of lack of skills and inadequacy of time in handling information for comprehensiveness and accept the restricted margin of choice given to the planners by political decision-makers. The approach concentrates on study of most urgent problems and search process to identify the relevant programmes or projects by successive approximations, through a process of deviation of objectives, and evaluation of alternate projects. The whole exercise accepts predominant role of intuition at various stages in the realm of uncertainties.

11. While a more systematic analysis of plan process would be necessary to determine the degree of comprehensiveness that would be optimal in planning process in India, two indications can be given regarding the lags in the present policy. While the public sector has enormous instruments at its disposal in terms of credit institutions, monetary policy and taxation, the range of responsibilities and powers of planning agencies are restricted to the governmental sector and not substantially to the public enterprises. At the same time, there is an effort to attempt at comprehensiveness by a variety of institutions though each one of these institutions involved in plan-process at various area-levels has somewhat limited responsibilities and functions. Operationally, therefore, there are points

at which there is excessive detailing while crucial links between the objectives and programmes or schemes are missing.

12. One of the most challenging problems faced by a planner is the extent to which he is permitted to prescribe the ends of planning and the extent to which he has to restrict himself only to the means by which the preconceived ends can be achieved. Rationality is always bounded by values. For instance, the need to bring about regional balance including a concept of region, time preference, the extent and nature of investments to counter social-tensions are some of the issues which are ultimately determined by a value framework. There is no rational method by which which the basic assumptions can be arrived at, though efforts can be made to quantify and clarify some of the implications. Having accepted a democratic framework, it would be necessary to concede that the elected representatives of people will have to be ultimate arbiters of all values. However, it is difficult to distinguish the point at which the values cease to have relevance. The classic assumption that ends are prescribed by political authority and means have to be explored by the planning agencies is not strictly relevant. It is bound to be a collaborative exercise. Whether planning agency is treated purely as a

bureaucratic wing of the Government or whether the organisation provides for active political process, would to a large extent determine the close involvement of the professional planner in the issue of ends also.

12. Implicit in this problem of values is the need to allow criticism within a planning organisation. Rationality should be able to stand on its own logic, and therefore criticism should be welcome to ensure rationality. It is also a reality of life that there is need for certain commitments to certain fundamentals in any organisation. There can be neither too much commitment nor too little commitment. It is in this context that one enters the realm of politics of rationality.

14. Planning should also be viewed essentially as an endeavour in which human-beings are intimately involved. Those who plan, are also at the receiving end of plan-process. The nature and methods involved in planning process do substantially affect the status, the powers and job opportunities of those who are involved in planning process. Viewed as a process, therefore, planning involves not only pure rationality or analysis, but also involves a set of actors. These actors inter-act among themselves as parts of institutions, groups and as individuals. They try to bring about a desirable course of action to intervene in the system in the light of analysis of the system but this

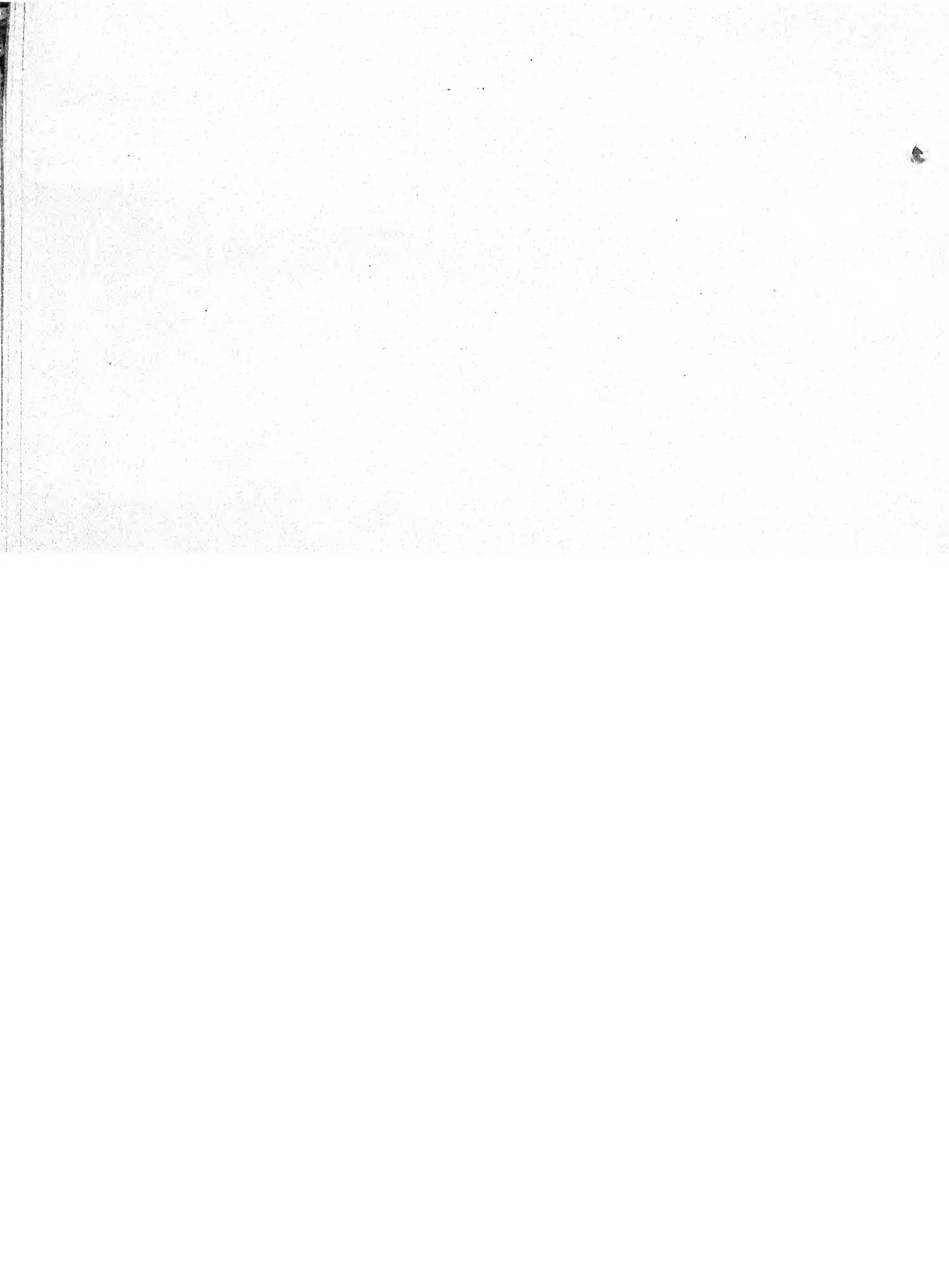
analysis is undertaken by these actors. Naturally, these actors develop a tendency to identify themselves with the interests of institutions, departments or professions in which they happen to be involved (personal considerations such as regional loyalties, linguistic - caste prejudices and class preferences are also a reality). It is therefore felt that the tendencies of the various institutions involved in plan process in terms of their attitudes should also be studied though these are so informal in nature that they can be only subjected to broad generalisations. In explaining the plan process in India, an effort has been made to make such generalisations resulting in a suggestion to provide for some sort of participation of elected representatives to represent a broader view of the situation.

14. The basic thrust of the study takes into account these multiplicity of considerations requiring an optimal compromise between intellectual's obsession with rationality and practitioner's grappling with reality. The objective conditions of the system require multiple agencies at multiple area-levels. It is necessary to distinguish the area-levels that are suitable for taking up planning activity. An effort is also made to identify the activities that can be approximately subjected to planning at each one of these area levels. In other words, when a plea is made

for decentralisation, there is an assumption that powers which ought to be exercised at lower level are being exercised at higher levels in the hierarchy. Conceptually, it will be necessary to make the assumptions regarding the appropriate levels at which the various powers have to be exercised, so that the process of decentralisation is arrived at in a somewhat rational manner within the accepted Constitutional framework. So far, the prescription of levels and activities has been either on a purely academic basis or purely in terms of investment-decisions of the governmental sector. A plea is made for a more practical approach in this regard. Further, in detailing the appropriate functions for various area-levels, restricting the analysis to decision-making function only is considered unrealistic. We may have to view the plan functions by any area level, in terms of a spectrum ranging from decision making, delegated authority, acting purely as an implementing authority of a higher level of hierarchy to feeding information to other levels. Further, it is also presumed that effective popular participation is a desirable value in terms of democratic framework that has been adopted. Indeed, there is no objective good and even if it exists, no single human-being can be trusted to perceive it. Consequently, what is treated as political interference by bureaucracy may have to be appropriately interpreted as

popular pressures. The basic problem that is raised in this context, relates to the reconciliation of a variety of decisions made at multiple points so that consistency is obtained in planned process of development. The intellectual's obsession with consistency, the bureaucrat's insistence on hierarchy, and the convenience of the political executives to retain power, are sometimes blamed for avoiding the development of a rational process of reconciliation through decentralised planning. However, this book develops an operational framework for multi-level planning on the assumption that it is possible to arrive at a more optimal and consistent solutions to the problems of planning by a process of decentralisation, provided the decentralisation is based on proper appreciation of the appropriate levels and functions. It is necessary to have a broad framework and allow a process-planning approach to develop within the framework. An iterative approach is no less optimal than efforts at quantifiable-optimisation-techniques. Comprehensiveness in planning will have to be viewed with reference to the area level and functions and responsibilities of the agencies. The functions also will have to be viewed in broader terms than that of decision-making alone. Every effort may have to be made to reduce the uncertainties within the defined area of functions. Above all, coordination does not necessarily mean control. Enormous amount of

co-ordination is possible through effective information flows and involvement of agencies in the process of decision-making. To sum up, if this book contributes to bridging of the gap between academicians' desire for the 'ideal' ignoring realities and the practitioners' distrust of the 'ideal' as unpracticable, it would have served its purpose.



CHAPTER TWO

NEED FOR MULTILEVEL PLAN APPROACH

India is a big country, with an area of over three million square kilo meters inhabited by a population of over six hundred million. The natural environment is typified by extreme differences in climate, topography, vegetation etc. The resource endowment is very uneven over geographical space. The Society is highly differentiated in terms of language as well as institutions - due to historical reasons. The levels of economic and social development vary enormously as among different areas. In such a situation it is axiomatic that uni-level centralised planning would be relatively inefficient to comprehend and deal with such a diversity of factors. It would be particularly difficult to deal with enormous and diverse non-quantifiable socio-economic situations within a democratic frame-work.

2. The decision making in a planned situation should be on the basis of adequate information. With a widely dispersed information over the economy, collection of data could be costly. At some stage, such a high cost would not be commensurate with the utility of information. The conclusion that emerges is that plan process could be restructured to enable those who know how to take decisions

This is possible by introducing additional tiers of planning (CHAKRAVARTHY, 1972).

3. In addition to this argument of additional tiers, a number of reasons are adduced for adopting intermediate and local planning. Such a multi (area) level approach enables local participation and better mobilisation of local resources. Moreover, it is expected to help reduce regional tensions.

4. In any case, constitution of India provides for an Union Government and Governments at State level. The powers and responsibilities are distributed among three lists viz., the Union, State and Concurrent. Planning function is in the concurrent list. This situation thus warrants planning at two levels atleast but this may not be enough.

5. The issue would, then, be: what are the "candidate tiers"? In other words, what are the various area levels from the primary Unit 'VILLAGE' to the nation - that could be considered. The area levels or "regions" (being parts of the whole) are various in India depending on the purpose or context. The basic and traditional strata of revenue Units could be a starting point. Village, Firka, Taluk, Sub-division, district, division and State constitute a hierarchy. All data is built with the village as a unit

and mostly classification is done with atleast the district as a unit. The country is divided into about three hundred and thirty districts.

AREA-LEVELS

6. It would be convenient to study the area-levels identifiable for various other purposes in terms of this traditional revenue hierarchy.(SEE CHART I). States are envisaged by the constitution. Consequent upon re-organisation of States in 1956, primarily on the basis of language, Zonal Councils were constituted for a group of States. Being advisory bodies, they have had no visible impact. The Directive principles of State Policy only make a mention of the village Panchayat. These are non-justiciable provisions, and it only means exhortation to organise local self-government with 'Village' as a unit (Union Territories are excluded from this generalised version).

7. Political Authority is vested at a number of levels. The State Governments are the most significant level of political authority. The other Strata of political authority are the creation of the respective State Governments, and consequently they lack uniformity. Broadly a village has an elected body (i.e.,Panchayat). It roughly corresponds to a lower revenue village (or a group of revenue villages) but is not necessarily co-terminus with it. A group of such

villages (usually accounting for a total of about hundred thousand people) are constituted into a Block - with a Panchayat Union or Samithi to run the affairs. This body is either directly or indirectly elected by the village Panchayats. This level corresponds to, but is not identical to a Taluk. The taluks that are large sized may account for more than one block. Similarly there is an elected (directly or indirectly) body to administer specified activities at the District level viz: Zilla Parishad. The blocks within a district constitute the District which is exactly co-terminus with a revenue district with the exception that the highly urban areas are excluded from this Panchayati Raj set up. They are individually governed by urban local self governing institutions. The powers, responsibilities and status of the elected bodies at village, block and district levels vary considerably as among different states and are subject to continuous change over a period depending on the policies of the respective State Governments.

8. For analytical purposes, the country is divided into regions. This demarcation often depended on the purpose in view - the common classification of the regions being in terms of Macro, Meso and Micro regions. Though there are variations, the broad congruence of these can be found among groups of States, districts, Taluks or blocks and, in exceptional cases, among villages also. There have been a number

of semi-governmental as well as individual efforts, either for geographical description or for specific purpose such as resource development. Prominent among these are the works of Stamp of Indian Statistical Institute(particularly, Dr. LS Bhatt), of Planning Commission, of census of India (Sdasyuk and Sengupta), Town and Country Planning Organisation etc.

9. More relevant for formulation of policy are, what may be termed as planning Regions or Planning area levels. They may be conceived as those which provide, besides facility for an analytical approach, institutional set up for financial and administrative decision making on an area - basis. In this context there is relevance for inter State Planning regions for resource development or development of problem areas. The State is, of course, the most striking level. There are inter-State but supra-district authorities, though only rarely. The District is the most common level but lesser areas than the district are also found. A more detailed description of the various area-levels for policy-purpose is given at the end of this Chapter.

10. The area-levels have significance for purposes of policy only with reference to the functional agencies, their powers and inter-relations - both vertical and horizontal

(i.e. across the area levels and at the same area level). For convenience, these agencies could be categorised into political decision-making bodies, the planning organisation, the staff agencies (particularly Ministries), the line agencies (namely government excluding departments), the public sector and the co-operative structure. In addition there are a number of special agencies especially at the district level established under the Societies Act, and in the form of government committees for integrated planning. A number of private bodies such as associations of farmers, traders, industrialists may also be involved in the process.

STRUCTURE AND TRENDS IN LEVELS OF PLANNING:

11. In a given geographical area there are, thus various levels of government or administration such as Centre, State and District; and simultaneously there are also various agencies operating at each of these levels. The relationships in each category could be one of superior - subordinate, equals or it may be of semi-independence - in various degrees. Chart II shows a simplistic presentation of the levels - both in terms of area and agency .

12. Having indicated the structure of area and agency levels, it is relevant to trace the trends in institutional development for planning in specified area - levels. From

the beginning, by the nature of things, planning function had to be exercised at the Union and State levels. The Indian Constitution has provided for development of Large and Heavy Industries, Railways and Communications and National Highways in the Central (i.e. Union) Sector while development of agricultural and allied activities, irrigation, power, roads, (other than National Highways) and social service broadly fall under the State Sector. The Planning function, however, is in the concurrent sector. From the First Five Year Plan itself, separate plans were prepared for the Union and for the States.

13. As rural re-construction was accorded priority, a comprehensive scheme known as the Community Development Programme was initiated during the First Five Year Plan. This involved establishment of what are known as Development Blocks. Each District was divided into a number of Blocks and each Block comprised about 100 villages with a population of about 60,000. Under the leadership of a Block Development Officer, the Programme was promoted by a number of specialists and general purpose village workers for a group of villages. The programme visualised participation of the people in decision making and implementation of the development schemes. In this process mobilisation of local resources was also expected to take place. Initially, the

programme was entirely financed by the Union Government. In this manner a new Planning Unit viz., a Block came into existence.

14. In accordance with recommendations of the Balwanthrai Mehta Committee (1975), Panchayat Raj institutions were established. These were set up almost all the States. These institutions have a three-tier structure of local self governing bodies, at the village level they are called 'PANCHAYATS' ; at the Block level they are known as 'SAMITHIS' and at the District level as 'ZILLA PARISHADS'. These were inter-linked. Transfer of power and responsibility to these was envisaged with commensurate resources. It was expected that the scheme would provide the necessary basic frame for developmental activities in the rural areas. Local self-governing institutions were thus introduced at the Block and District level to buttress those at the village level (in certain areas the village Panchayats had already existed). Over a period, it was however, realised that the institutions were not getting the desired popular support and participation due to excessive dependence on the Government. It was also found that the State Development Departments were chary of transferring either the resources or the powers as was expected. There was criticism that the resources were being

frittered away on multi-purpose projects and productive programmes were being neglected.

15. This situation led to concentration on specific productive activities in identified areas. The accent was on increasing agricultural production in specially identified Districts. The Intensive Agricultural Development Programme and its extended form Intensive Agricultural Area Programme, were adopted for bringing about rapid agricultural change in specified areas endowed with greater growth potential. (Incidentally, there was a Tribal Development Programme during the Third Five Year Plan which involved identification of Tribal Development Blocks in those with a concentration of tribal population).

16. Even here, it was realised that the benefits of a programme that concentrated on increasing production has benefitted only the richer class. It was felt that while endeavouring to increase productivity, the concept of social justice should not be ignored. Consequently special programmes had to be designed in identified areas for improving the conditions of small and marginal farmers and agricultural labour. The programme involved adequate supply of credit to these weaker sections. It was financed by the Union Government. These agencies created for select Districts and the coverage was not part of the District or the whole

District concerned. Special agencies were registered under the Societies Act and usually the Collector, and in a few cases, the Divisional Commissioner was head of such agencies. In the Fifth Plan, however, the projects have been redesigned to cover small and marginal farmers and agricultural labour in the whole district instead of these being separate agencies in different districts. Experience has, however, shown that these activities do not succeed without their synchronisation with the normal plan and dovetailing the work of the credit institutions both in the Co-operative and Commercial Banks Sectors.

17. For tackling the problems of drought prone areas, a Drought Prone Area Development Programme was formulated. It covered, during the Fourth Plan 56 districts and 28 part Districts in contiguous areas. The programme was financed during the Fourth Five Year Plan, entirely by the Central Sector. In the Fifth Plan 50% has to be met from the State Sector. To start with, the programme concerned itself with labour-intensive, production oriented activities to find a solution to recurrent drought. It envisaged, further, preparation of a District Plan showing the normal plan component and highlighting the additionality of the DPAP activities. A separate organisation was envisaged in the Fifth Five Year Plan. Many States opted for Registration of

a Society under the Societies Registration Act. A few States preferred the establishment of Authorities by a resolution of the Government. The preparation of programmes in terms of a shelf of scheme and water shed approach whereby the schemes have to be centered around the physical space determined by water shed were some of the features of the DPA Planning process.

18. While the Drought Prone Areas Programme was intended to solve the problems of drought prone areas, the programme of fuller and rational utilisation of irrigation potential created under major projects sought to be solved by the establishment of Authorities under Command Area Development Programme. This programme provides for main and intermediate drainage, improvements to the irrigation system, its strengthening and extension etc. The Union and State Governments share the departmental outlay while the institutional funds are expected to be fully utilised. Fifty one Command Area Development Areas were set up, and, as these are co-terminous with the Ayacut of the irrigation projects, they may occasionally cut across more than one District. By a Resolution of the State Governments concerned Authorities were set up for the command areas and it was even felt that a separate department should be set up for this work at the State Level.

19. To provide special coverage to the areas

predominantly inhabited by the tribals, the Tribal Development Agency projects were conceived. These projects envisaged a scheme of comprehensive development by covering law and order and social and economic development. Agencies were registered for each District with Jurisdiction over specified areas

predominantly inhabited by the tribals. Registered under the Societies Act, these agencies had the Collector as the Head. While entire outlay came from the Union Government the Financial Institutions and the State were expected only to provide support. A similar agency was created for Hill Area Development Programme covering a District in U P and a sub-division in Manipur. The finances were borne from the Union Government

20. This special attention to tribal development in Hill areas has given occasion to the adoption of what is known as the sub-plan approach in the Fifth Five Year Plan. The sub plan has been conceived as a plan for specified areas i.e. predominantly tribal areas identified and the Hill areas. The sub-plan provides for a horizontal integration of plan at the area level. It is expected to provide a comprehensive picture of the development of the area indicating the strategy, and the flow of resources from the State, Centre and financial institutions. Central assistance has been earmarked for this programme and separate agencies have been set up though the administrative pattern shows inter-variations. Some States have a separate budget for

tribal development. With the extension of the scope of the of the tribal intensive areas to cover all tribal blocks having a concentration of tribal population of more than 50%, the hill areas have also been expanded during the Fifth Plan to cover UP., Assam, West Bengal, Tamilnadu etc.

21. There is, historically, assistance to the preparation of inter-State area development plans. The classic examples are the Damodar Valley Corporation, Dandakaranya Project and the problem-areas planning. The Damodar Valley Corporation, established under a special statute in 1948, was expected to ensure comprehensive and unified development of the valley though it ended up with concentration on power development only. The Dandakaranya Project was also envisaged as an exercise in regional resource planning, to rehabilitate the displaced persons from East Pakistan and simultaneously to improve the tribal economy of areas. Established in 1958, it yet to come forward with systematic perspective planning. The problem-areas planning covers Bundelkhand region Western ghats and the North-Eastern region. Bundelkhand region cover 5 districts of U.P. and 6 districts of MP and collaboration in administrative arrangements (1972) between the centre and the State concerned. Similarly, for the development of Western ghats, comprising the the states of Karnataka, Kerala, Maharashtra, Tamilnadu, Goa, Daman and Diu, administrative arrangements for integrating the development scheme were made (1973). Special Central assistances has been provided. But schemes have to be formulated by

the participating States. Another example is of the North Western region of the country for which a Council was set up under an Act of Parliament in 1971. This is an Advisory body to assist the constituent units in social and economic-planning. Central assistance is provided for this programme also.

22. It is evident from the foregoing that the establishment of inter-State authorities was due to certain special circumstances, considerations and exigencies. Over a period, a number of specific purpose area development institutions have been created. One can discern a few important elements in this process. Firstly, there is an effort to decentralise the planning function to District level to solve the problems whether they relate to drought areas or irrigated areas or small farmers or development of tribals. Secondly, the process which started in a specific sector or in sectional terms has led to the recognition of the need for an integrated approach. It is being increasingly realised that all the development efforts will have to be dovetailed effectively. Thirdly, the existing institutional set-up was obviously found lacking and therefore special agencies had to be created be it under the Societies Act or by a resolution of the government. From an analysis of this trend; it is clear that the existing structure at the area and agency requires to be viewed carefully to provide for a multi-level planning frame-work for the country as a whole.

23. In fact, having had a start with a highly centralised approach, we have arrived at the area development planning

approach in select areas. This has further led to attempts at integration through a number of processes in Drought Prone Areas Programme and sub-plan concept. A stage has now been reached where a fully coordinated and integrated multi-level plan-process can appropriately be considered in this country (KV SUNDARAM AND RP MISRA, 1976)

24. The Planning Commission has, no doubt, conceded the logic of the situation in its draft Fifth Five Year Plan (Vol II-1974 288-289). It is said that "so far as planning at the State and lower regional and administrative levels is concerned, a multi level approach has been adopted in the Fifth Plan. The basic idea underlying this approach is that from the point of view of both efficiency as well as equity, it is not desirable to mechanically impose the hierarchy of programme priorities determined at the national and State levels without taking into consideration the peculiarities of different areas In operational terms, this concept envisages that decisions regarding activities which either affect or have to be financially and administratively supported at a particular level should not be taken at the higher or lower levels without adequate inter-action and iteration with the planning and administrative agencies at this level."

CHART I

AREA LEVELS IN INDIA*

Basic Administrative (Revenue)	Constitu- tional provision	Political authority	Analytical Planning "Areas"
NATION	UNION	UNION	
		Government	
	ZONAL COUNCIL		MACRO
STATE	STATE	STATE	River bas- ins resour- ces Region problem area Natio- nal Capital region - STATE
DIVISION@		GOVERNMENT	MESO
DISTRICT		ZILLA(b) PARISHAD	Division and Region- al Metropo- litan areas Command ar- ea Tribal area Indus- trial sub- sidy belt
SUB DIVISION		MUNICIPA- LITY	District SFDA Drought Pr- ne Area etc.
TALUK		BLOCK (SAMITHI)	MICRO
FIRKA OR CIRCLE		VILLAGE PANCHAYAT	VILLAGE PANCHAYAT

* Union territories are excluded from this general version

@ Exists in some States (b) Usually excludes urban areas

£ Usually part of a taluk but Metropolitan areas extend over

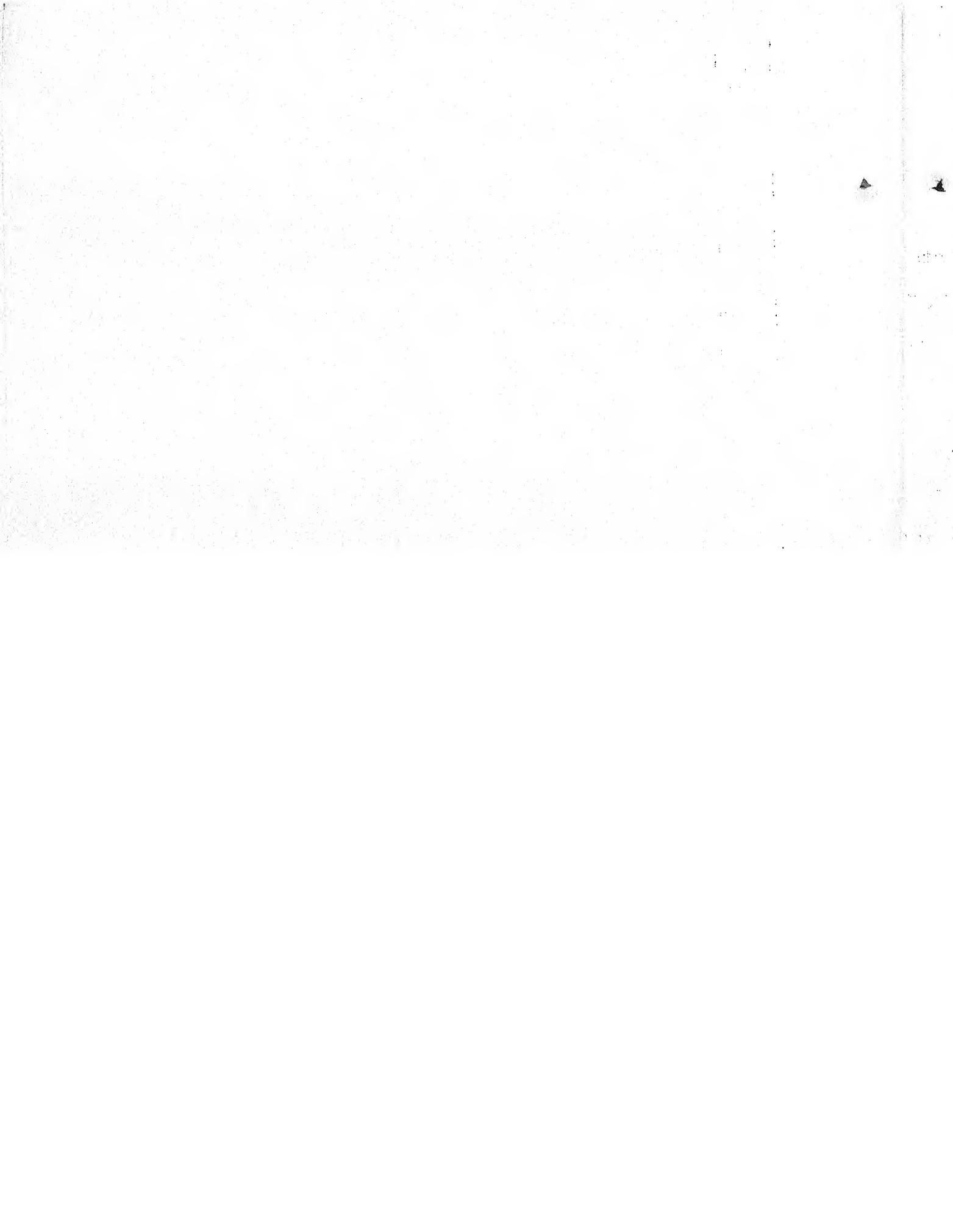
Taluks (district etc) & exists only in some States.

• Not necessarily co-terminus but nearest to corresponding

• Revenue Unit.

CHART II AREA AGENCY LEVELS IN INDIA

AREA/ Agency	Political Party	Planning Commission	Staff	Line sector	Public sector	Co-operatives	Private agencies	Special agencies	Decision Mak- ing Process
Union	Cabinet	Planning Commission	Minist- ries	Central De- partmen- ts	National Co- op Advisory bodies	P	(Predominant moves)		
INTER STATE	Advisory	Bodies@ Cabinet	Planning Board or Depart- ment	Executive De- partments of State	State lic Se- ctor & Branches of Centres of centre @	I	R		
SUPRA district	Advisory	Bodies	District Parishad Development Committee @ Urban Area	COLLECTOR OR CEO	Federating Branches of State of State & of Ce- ntres @ Departme- nts of Lo- cal body (Urban local Govt)	E	B O D I		
Block		Samithi		BLOCK DEVELOPMENT OFFICER	Primary Branches of State of State & @ of local Body	E	S		
Village		Panchayat	@ MAY EXIST, IF THERE IS NEED.						



CHAPTER THREE

MECHANICS OF PLAN PROCESS

Plan processes in India comprise "Area Levels" and "Agency Levels". The points of contact between the Agencies at various Area levels in terms of activities have to be appreciated. For this purpose an understanding of the organisation of the Union and State Governments and other relevant Institutions is a necessary preliminary. Within this framework, the various steps inherent in the formulation of Five Year Plans, Annual Plans, Evaluation, etc., may be traced. As the main focus is on Multi Level Plan processes, the organisational details of plan processes at the Union Level are mentioned only briefly. A critical account of all aspects of Plan Processes at State Level is given in greater detail to enable a fuller view of prevailing plan processes at sub-national level.

ORGANISATION OF GOVERNMENT

2. The executive power of the Union is vested in the President, who is indirectly elected. The Council of Ministers, headed by the Prime Minister aids and advises the President, and according to the latest amendment, the advice of the Council of Ministers is binding on the President. The Council of Ministers is responsible to the Parliament - virtually to the Lok Sabha. The Legislative Wing of the Union consists of the Lok Sabha (elected representatives

of State Assemblies). The Judicial wing consists of the Supreme Court. The business of the Executive is transacted through a three tier set up though it is formally in the name of the President. The Political head, that is the Minister, assisted by Ministers of the State or Deputy Minister or Parliamentary Secretary, constitutes the top layer. The Secretariat Organisation of the Ministry with a Secretary as the Head, is the second layer. The Executive Organisation of the Department, comprising the Ministry is the third layer. The subjects of Ministries and constituent departments undergo changes depending on the needs and exigencies. The Public Sector enterprises are important semi-autonomous bodies of the Union Government. The Chart III gives a broad picture of the Governmental set up at the Union level.

3. While the Council of Ministers comprises political personages, the Ministries, for the most part, are managed by permanent Civil Servants. The Civil servants are drawn from various central and all India Services and occasionally from the open market on a tenure basis. The department is usually headed either by an officer (designated as Director, Director General etc) or by a Board (railway Board, Board of Direct taxes etc). The Ministry i.e. the Secretariat, is basically a staff agency assisting the Minister in policy formulation and in overseeing its execution. The Departments are line agencies intended for the execution of policies and implementation of the laws. There is no uniformity

in the spread of organisations of line agencies over the country since it would depend on the organisational needs and the nature of activity (Railway Zones, Postal Zones, etc) The Parliament comes into contact with the Executive mainly through the political head of the Executive only, except that there are also Parliamentary Consultative Committees for each of the Ministries. Policy and its implementation are discussed at the meetings of these committees. As regards the semi-autonomous public sector undertakings (except Departmental Units like the Posts and Telegraphs, Railways etc), the control of the Government is mainly through the Board of Directors to which Government nominates its representatives. The Parliamentary control is exercised through the committee on Public Undertakings and financial control is wielded through the power of appointment of auditors by the Auditor-General.

4. The Planning Commission is the paramount agency of the Government of India for the purpose of Plan formulation. It was established in 1950, by a Cabinet Resolution. It is not a statutory body, nor are its terms of office and composition spelt out. Its functions are, however, well defined and they relate to Planning for economic development, including recommendations on matters that may be referred to it for advice by the Central or State Governments. The Resolution envisaged that the Commission would function in close collaboration with the

-13-

Ministries of the Central Government and the State Government and the State Governments. The responsibilities for taking decisions and implementing them will however, be that of the Governments concerned. The Commission is headed by the Prime Minister and has among its Members important Ministers of the Union Cabinet and three or four full time Professional Experts. The Chief among the full-time members is designated as the Deputy Chairman. The Planning Commission has a number of divisions each dealing with certain sectors like Agriculture, Industries etc and subjects like perspective planning, Economics and man power planning. There are also Programme Advisors, who function as the eyes and ears of the Planning Commission in respect of particular States which are kept under their charge. Their main work is to bring about coordination between planning in the States and the Planning Commission. At the suggestion of the Planning Commission a National Development Council was constituted to serve as the highest reviewing advisory body in the field of planning. This was also set up by a Cabinet Resolution. Its membership includes the Prime Minister, the Chief Ministers of States, select Union Cabinet Ministers and Members of the Planning Commission. Its terms of reference cover the formulation of long-term guide lines of National Plan, as well as all matters of social and economic policy.

5. The exposition of the administrative structure for planning would be incomplete without mentioning the institution of the Working Groups. A Planning or working group is an adhoc body constituted at the first stage of planning for purposes of formulation of a sectoral plan either for the medium term plan or Annual plan. These working groups consist of the representatives of the relevant Ministries/Departments, technical organisations concerned with the sector or subject as the case may be and the Planning Commission. They examine the sectoral programmes, their physical and financial targets, the resources pattern of the schemes, consistency with the inter-sectoral and broader objectives, etc.

6. The Governor who is appointed by the President is the executive head of the machinery of the Government at the State level. The executive power of the State is theoretically vested in him, but as in the case of the Union Government, it is exercised by the Council of Ministers through the Civil Servants. The inter-relationship between the Council of Ministers, the Ministries, the Heads of Departments, and the Legislative Wing, are analogans to those at the National level. There is, however, a constitutional provision for the take over of the Government of a State by the President under certain exigencies during which period, the Assembly and the Council of Ministers

would stand suspended or dissolved. The Secretariat, also referred to as the Government or Ministry is the staff agency headed by a Secretary, who generally belongs to the Indian Administrative Service, except in the case of certain technical Departments like Law. There is a Chief Secretary, who exercises general control over all the Departments of the Secretariat. He is the Chief of the Civil Services as well as the Chief Administrative Head of the State. He functions as the Cabinet Secretary. The main functions of the State Secretariat relate to assisting the Ministers in policy making and in discharging their legislative responsibility, Co-ordination of policies and programmes, supervision and control over their execution and review of results, budgeting and control of expenditure, correspondence and contact with the Government of India and other State Governments and efficient running of the administration including personnel and organizational competence. A Secretariat Department may be assisting more than one Minister and may be incharge of a number of executive Departments.

7. There is a separate Directorate for every important activity of the State. Each Directorate has a Head of the Department. For most of the Departments the head is a technical person. The Head of the Department has a number of Assistants at the Head Quarters, but most of them have regional officers incharge of two or three districts and

almost all have district officers in charge of one district or a part thereof. For certain Departments like Agriculture, Veterinary, etc., there are functionaries at the block level and even below that level. Chart IV gives a broad picture of the Organisation of State Government.

8. The Planning function at the State level may be performed through the Board system or a Department System or with a combination of both. In some States, the Planning Department is positioned like any other Secretariat Department, and performs the plan functions. In some States, the Planning Department is combined with the Finance Department. In certain other States, it is combined with other development Departments. Where Planning Boards have been constituted they have taken different forms in different States. In some, the Planning Board has become a merely advisory body with meagre technical support, working practically as part of the Planning Department. In some States, the Planning Board has sufficient technical support and the planning Department has become an appendage to the Board. In some other States the Planning Board is a separate wing while the Planning Department in the Government retains its function of decision making on plans, dealing with the Government of India, etc. Usually, Planning Boards are headed by the Chief Minister with select Ministers as members and a few full time or part-time members with professional expertise.

9. There is also the institution of Planning or Working Groups, in which the Secretariat Department, the Heads of Departments and the Planning Department, are involved, for plan formulation be it medium term or Annual plan. For the Five Year Plan formulation, non-officials or outside experts may also occasionally be made members of the Working Groups. The major decisions in the field of planning are taken at the Cabinet level though the practice of having a Cabinet sub-Committee to look into the particulars is not un-common. In some States they have State Advisory Committees on Planning consisting of elected representatives, while some have consultative Committees for each of the Development Departments.

10. At the Regional level, there is a functionary known as Divisional Commissioner in some States. The Development Commissioner is a Senior Civil Servant, and has only a nucleus of staff. His role is basically supervisory. He is entrusted with formulation and overseeing of Development Planning. In some States, they have specific regional authorities created either for accelerated development (as for Marathwada region in Maharashtra) or to certain regional tensions. (Such as the Telengana, Rayalaseema, Coastal Andhra Committees in Andhra Pradesh). There is not generalised across the board institutional set up for planning between the State and the Districts in India.

11. The district administration is a unit charged with maintenance of Law and order and the implementation of Plan Schemes for development. It is described as they key stone in the edifice of the general administration of the country. The District Administration is under the overall charge of a Collector (also known as Deputy Commissioner in some States and drawn from the Indian Administrative Service). He is the representative of the State Government at the district level and functions as the principal executive agency. He is responsible for maintaining law and order and people look up to him very often for redressal of their grievances. In most States, it is his responsibility to ensure co-ordination among the activities of various departments. In a couple of States, local self Government is given greater importance in the co-ordination of developmental functions. Local self-government assumes the form of the Zilla Parishad at the district level. The relationship of the Collector with this body varies from State to State. While in some States, the Collector has very little to do with this institution, in most of the States he is either a part of the Institution or is held responsible for overseeing its performance. There are also other local functionaries of the State Government (and a few Central Government Officers, with whom the local developmental administration need not be connected) and some autonomous bodies locally organised like the Co-operative Institutions.

These Institutions operate at the District level or some of them have a federating agency at the district level. A number of State level public enterprises in charge of promotional as well as productive activities have been created in the recent past and they generally have their branches at the district level. These bodies include the Transport and Electricity undertakings. Special Agencies have been created for specific purposes at the district level and most of the districts are covered by one or the other of these agencies namely DPAP., SFDA., ITDP etc. The Collector is usually the head of these agencies. Their managing committee include the relevant district heads of departments, non-officials, and representatives of the State and Central Governments. There is thus a complex institutional set up at the district level. In Institution of the Collector appears to be crucial but his role is not of a uniform pattern among the various States. In a few, he is basically incharge of law and order, development functions having been entrusted to the local bodies. In some other States he oversees the developmental work in general. In a few, he is made the pivot of developmental processes and in fact the powers of State Head of Departments have been delegated to the Collector. In the whole system, his position as a representative of the State Government and as a coordinator at the district level, is unquestioned. Chart V gives an idea of institutional set up at the district level.

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12. It is difficult to identify a well established planning agency at the district level. Planning function may be performed by a district planning officer under the overall charge of a Collector. Some times, a district Planning Officer, is appointed only for the period of formulation of the five year plans. In some cases, there is no institution for planning at all and the Collector may, depending much on his initiative, prepare a plan. In some States, the district Planning Officer is placed under the control of the Zilla Parishad. In certain others, Special Committees are formed, which are either headed by the Collector, or for which the Convenor is the Collector, with a State level Minister as the head of the Committee. However, in all States, some sort of district plans covering some segments but ensuring integration with other schemes have to be prepared mostly under the overall guidance of the Collector and occasionally under a specified committee set up for the special agencies such as a tribal sub-plan, SFDA etc. Barring these, there have been very few systematic attempts at district planning.

FORMULATION OF FIVE YEAR PLANS :

13. The first stage in the preparation of medium term plan at the national level is the evolving of the general approach to the Five Year Plan. This preparatory work begins about three years in advance of the commencement

16

of the plan. Concurrently, there is a perspective plan so that the State of the economy is analysed with reference to the past and a long term view is taken of the likely progress of the economy. The approach is discussed at various levels ultimately leading to preliminary indications on the part of the National Development Council of the representative growth to be assumed and the objectives and considerations which should receive special emphasis.

14. In the second stage, the Planning Commission works out general dimensions of the Plan on the basis of these parametres. The usual techniques for working out the commodity balances and the sectoral allocation of investments are those based on inter-industry investment allocation models. Several working groups are constituted at the Centre, involving the representatives of the Planning Commission, the experts, Ministers and the technical organisations associated with them. The issues arising out of the assumptions made and broad outlays proposed are sorted out in these meetings. Concurrently, the State Governments, are advised about the preparatory work in progress in various sectors and on similar action they might take at the State level. Accordingly the State Governments will also constitute Working Groups. While expert Working Groups undertake the necessary studies required for plan formulation, panels comprising of leading Experts and workers drawn mainly from outside the Government

are constituted to advise the Commission on the broader aspects of policy and approach to plan formulation. Task forces are also constituted for similar purposes.

15. In the sight of the various sectoral studies undertaken by these Groups, a draft memorandum is prepared incorporating the main features of the Plan and its principal magnitudes. This memorandum is discussed by the Central Cabinet and the National Development Council, on the basis of the directions that become available a draft out line will be prepared. While the draft out line is presented for a public debate, the Planning Commission in collaboration with the Ministries at the Centre holds detailed discussions with individual States. The discussions are held both at the official and political levels. At the end of this prolonged dialogue with the different States a detailed report outlining the objectives, programmes, policies and projects that form the basis of the plan is submitted to the Cabinet and the National Development Council. After detailed discussion, the Plan receives the general approval of both the Houses of Parliament which call upon different sections of the Nation to implement it for the achievement of the objectives and targets embodied in it.

16. At the level of the State, the formulation of the Plan is undertaken either by the Planning Department or the Planning Boards where they exist. The work at the

State level also begins at about the same time as at the Central level. The Central Government generally briefs the State Governments on the arrangements considered necessary for the formulation of the Plan. Generally, preparation of background papers, indicating a review of the State of the economy, the performance of the Plans in the past and the broad magnitudes of development are undertaken. For the Fifth Five Year Plan, the States were encouraged to prepare an approach document to their respective Plans. Arrangements for constituting Working Groups with the Secretariat Departments, the Head of Departments, the representatives of the Planning Departments and occasionally outside, expertise are finalised. The Working Groups are expected to prepare detailed Sectoral Plans on the basis of the frame-work indicated by the Planning Department and the guidelines received from the Government of India, apart from informal consultations with officers of the Government of India. The Working Groups are generally required to suggest sectoral programmes on the basis of a critical assessment of the on-going programmes, potentialities for development and project proposals from the district level. The broad issues like the total outlay, sectoral allocations, major projects to be taken up and allocations for them are determined only with the concurrence of either the Chief Minister

or a sub-committee of Cabinet or by the Cabinet depending on the local practice. The proposals of the Working Groups are revamped by the Planning Department or Board in the light of these decisions and a draft outline is prepared. The draft outline is discussed with the Central Working Groups, in Delhi, and the discussions are followed by a meeting of the Chief Minister with the Deputy Chairman or the Professional Members of the Planning Commission. The National Development Council then meets to approve the plan. After this, the State Plan comes up before the Cabinet and the State Legislatures in the same manner as the Central Plan. Quite often there is lack of agreement between the States and the Planning Commission regarding the total outlay and the sectoral allocations for the Five Year Plans. Even so, the implementation of the plan is proceeded with each sticking to their stand. Owing to various uncertainties, the Fifth Five Year Plan at all levels could not be finalised for a long time.

17. There is no formal channel of obtaining proposals from other levels in finalising the State Plans. In the past, the district levels were required to formulate their plans incorporating the village and block plans, and transmit them to the State level. In the Fifth Five Year Plan, however, except in Maharashtra preparation of the

State level plan was not based on the district level plans.

18. In fact, at the district level, though the formality of preparing a Five Year Plan was initiated in most cases, it was completed only in a few. The village and block level plans were sought to be prepared. A few districts prepared these programmes in some States, more on the basis of felt needs or shopping lists with the result that there was no evidence of having had any formulation of five year plans in consonance with the State and national plans. Though neither the institutional set up nor tools of analysis seem to have been developed for district level plan formulation in Maharashtra and in Andhra Pradesh, district sector was however differentiated and plans prepared.

19. A total view of the mechanics of the formulation of the Five Year Plans in India can now be formed. Chart VI indicates the Agencies that are involved in the formulation of Five Year Plans, their composition and functioning at the National, State and other levels. The Chart VII indicates inter-relationships between these Agencies.

ANNUAL PLANS :

20. Annual Plans are operationally very relevant as they got translated into reality by being incorporated

in the annual Budget. The Planning Commission undertakes continuous review of the progress of the Plan Schemes. The financial resources are estimated a few months in advance. The broad magnitudes are discussed in the Planning Commission and then the details of schemes and their targets are examined by the Working Parties constituted in a similar way as at the formulation of the Five Year Plans. The formulation of every annual plan takes into account the provisions regarding the Five Year Plans, the mid-term appraisal if it had taken place, policy changes and the progress of development, sectorally and project-wise. The Planning Commission also indicates to the State Governments the thinking at the national level regarding important issues. Discussions take place at two stages through working parties concerned involving both the Central and State Representatives first to finalise resources and secondly to settle outlays and programmes. The final version of the annual plan is determined after discussion between the Chief of the Planning Department and the Programme Adviser initially and later between the Chief Minister and the Planning Commission.

21. A more detailed account of the steps of annual plan preparation at State level is given here to appreciate the Centre-State links. The review unit in the Planning Department makes monthly and quarterly stock taking of sanction of plan schemes, progress of expenditure and

physical achievements. These are kept in view at the time of formulating annual plan. Estimation of financial resources is initially made by the Finance Department. The proposals of the State on its financial position are set out in a comprehensive note prepared as per the union level's request. The Chief Minister, Ministers for Planning, Finance and some times the Cabinet are involved in the annual plan exercises at the State level before the subject is taken up with the Union level for discussion on broad magnitudes. In the deliberations at Delhi, the officials of the State Government, Planning Commission, and Ministry of Finance invariably participate. The Programme Adviser holds discussions with the Minister for Planning or Chief Minister when there is a difference on opinion on the outlays. Almost concurrently, the Planning Commission indicates to the State Government, the thinking at the National level on the annual plan particularly, the factors that have to be supplied. The State Planning Department initiates exercises on this basis at times even before the receipt of formal communication. The preliminary exercises are finalised in due course on the basis of the union level guide lines, the special circumstances of the State and progress of Developmental Schemes. There is a continuous process of running and re-adjustment of allocations through a series of discussions at the State level. The proposals are then discussed in the Working Groups at

Delhi in which the representatives of the State Governments, the technical departments of the Planning Commission and the Ministries concerned participate. These are coordinated by the Programme Adviser, who towards the end holds discussions with the Secretary, Planning. Discussions are also held between the Planning Commission and the Chief Minister of the State to finalise the annual plan for the State. After all these discussions, the State Government prepares the frame-work and outlay for each department. On the basis of the approved outlays, the Heads of Departments frame their budget proposals. A few changes to take place in the Plan even after incorporation in the budget. Though the schemes may be incorporated in the budget, their sanction will have to be obtained from the concerned Secretariat Department after clearance from the Planning and Finance Departments. It is only then that the funds are released for execution of the schemes by the field agencies. The Chart VIII indicates the various Agencies and their functions in the context of the preparation of the annual plans.

22. There is no separate institutional arrangement for preparation of plans at levels below the State. In some States, however, where there are regional advisory bodies for promotion of specific activities and in Maharashtra, where there is a regular district development body, proposals are formulated for consideration of the

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of the State level for identified sectors in accordance with the guidelines issued. Generally there is no process of preparation of annual plan at other levels except in regard to the special programmes(such as DPAP, ITDP) where release of funds from the Centre and States is contingent upon preparation of an annual plan of programmes.

PLAN IMPLEMENTATION AND EVALUATION :

23. The Annual Plan is implemented both at the Union and at the State level through the respective Heads of Departments or the Corporations and Institutions to which the disbursements are made. In the process of implementation the Planning Commission or the State Planning Departments do not have executive responsibility. The Planning Commission makes the performance appraisal of the plan through monthly reports of selected projects and quarterly reviews on the working of the plan received from the Central Ministries and annual progress reports made by the Central Ministries and the State Governments. The Programme Advisors periodically visit the States under their charge and study the working of the development programmes. There is also an organisation called the Programme Evaluation Organisation, for evaluation of schemes. It has a number of regional offices spread over the country. The subjects for evaluation are taken up by the organisation either at the suggestions of the Planning Commission or the Central Ministries or on

its own and studies carried on agreed methodology and re-transmitted to the Planning Commission and the organisations concerned.

24. At the State level, the evaluation organisation is either a part of the Bureau of Economics and Statistics or it forms a part of the Planning Department or Planning Board. The evaluation units in the States have generally no field staff. The Evaluation studies are undertaken usually on the advice of the Committee specifically constituted for the purpose. The concerned executive Departments are involved in the process of evaluation and follow up is ensured through a review by a Committee constituted for the purpose. There is no evaluation organisation at other levels.

POINTS OF CONTACT :

25. The existing points of contact between the various levels may now be summed up. In terms of Agencies, the National Development Council is the highest point of contact between the Chief of the Political Executive of the State and that of the Centre. The Chief Minister of a State has contacts with the Planning Commission to discuss proposals for formulation of Five Year Plans estimation of the resources for the annual plan and finalisation of the annual plan outlays. At the second,

tier, the Chief of the Planning Department (or the Development Commissioner) in the State keeps in touch with the Programme Advisor of the Planning Commission continuously for all purposes. At the third level the various Ministries and departments and the Planning functionaries of the State meet their counterparts at the Union level through the institution of Working Groups for formulation of five year plans and annual plans. The element of mid term appraisal and annual review are periodically implied in this planning process. Informal and continuous association among individual Ministries and departments and various supporting technical authorities is maintained as a matter of course. There is however, no institutional arrangement for maintenance of similar contact between the State and the district, especially for plan processes. There is no counter part of the Planning Agencies at the district or at any other lower level. There is no direct contact between the National and the District levels. But the National Planning process seeks to deal with the district schemes directly financed by the Union only through the State Governments. In the Special Programmes, however, the Union Government has its agencies associated with the district level set up i.e. governing bodies of DPLP, SFDA etc.

CHART IV.

ORGANISATION OF STATE GOVERNMENTS (ILLUSTRATIVE)

GOVERNOR.

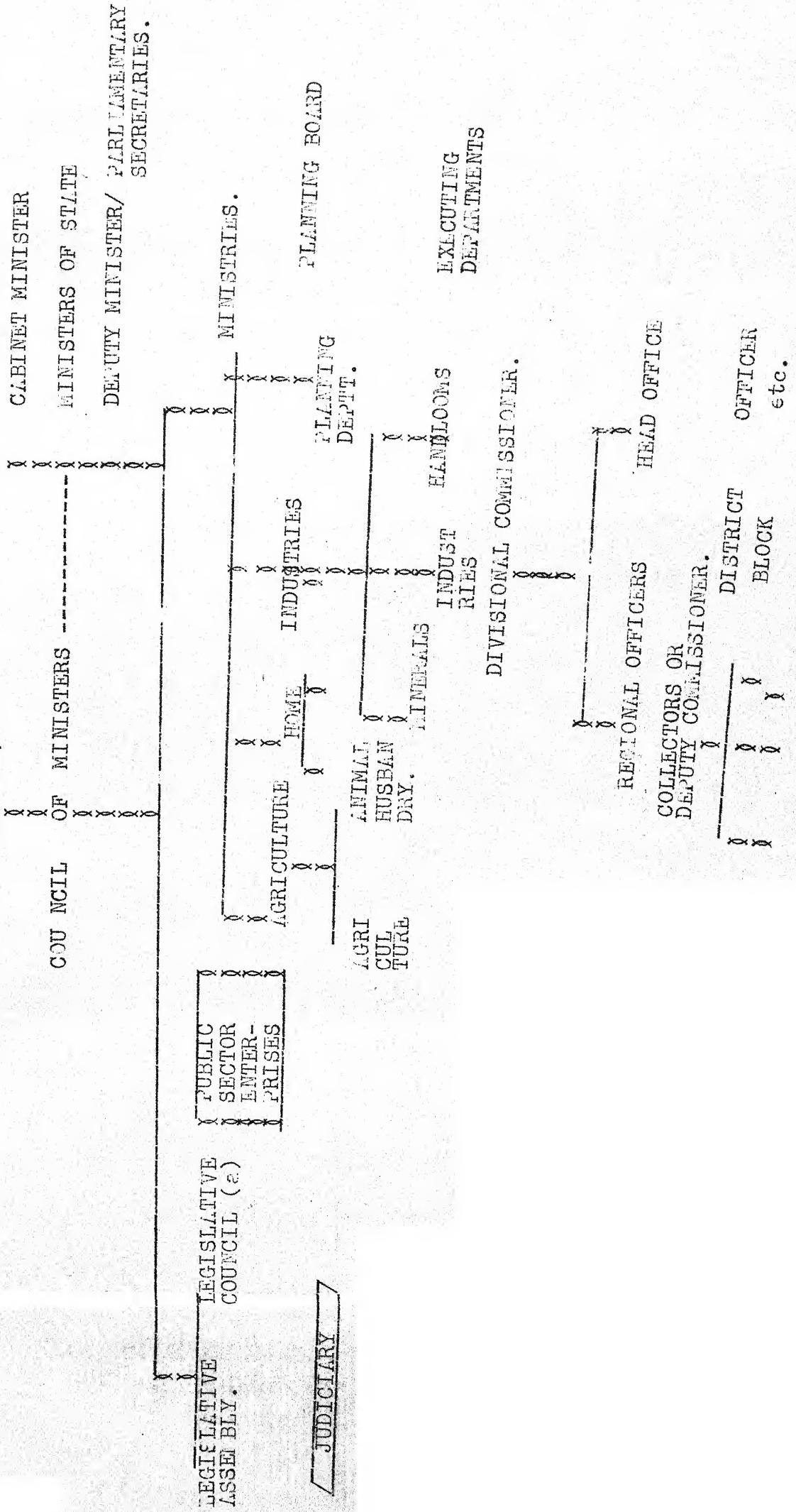
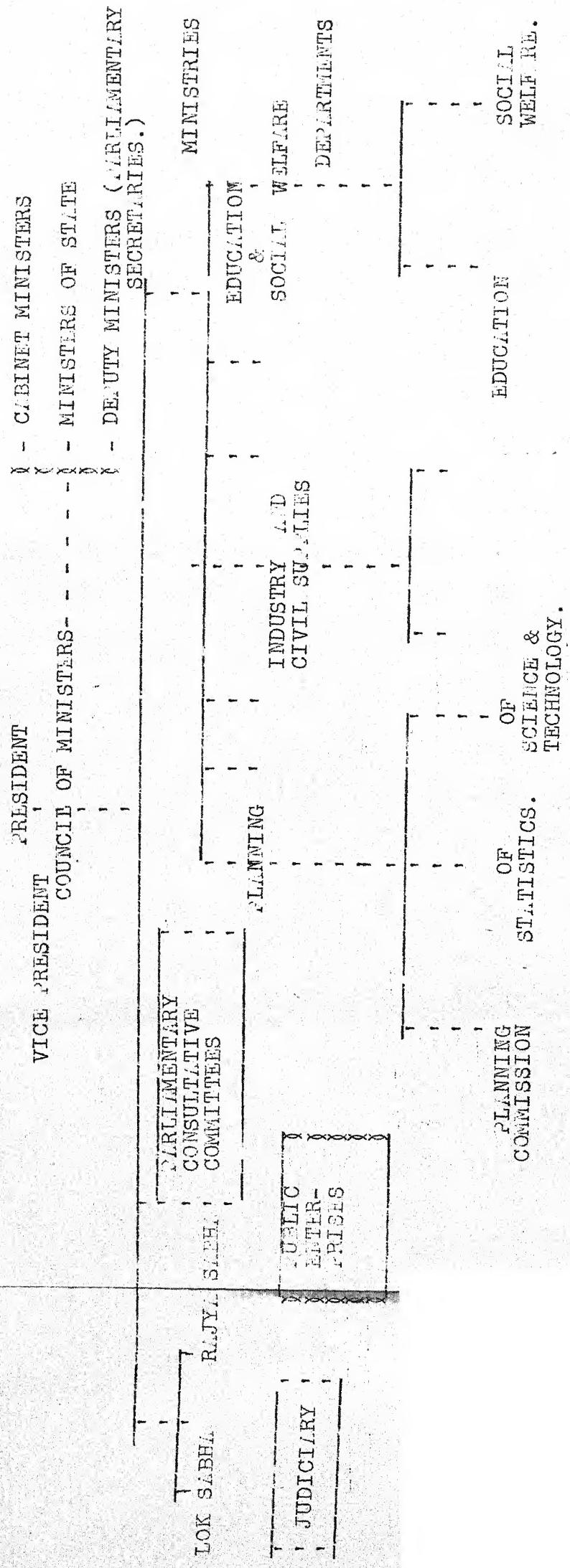


CHART III

ORGANISATION OF UNION GOVERNMENT (ILLUSTRATIVE)



ORGANISATION OF GOVERNMENT AT LEVELS BELOW STATE (ILLUSTRATIVE)

CHART V
Supr. District or Regional
Level
DIVISIONAL COMMISSIONER / REGIONAL ADVISORY BODIES (r)

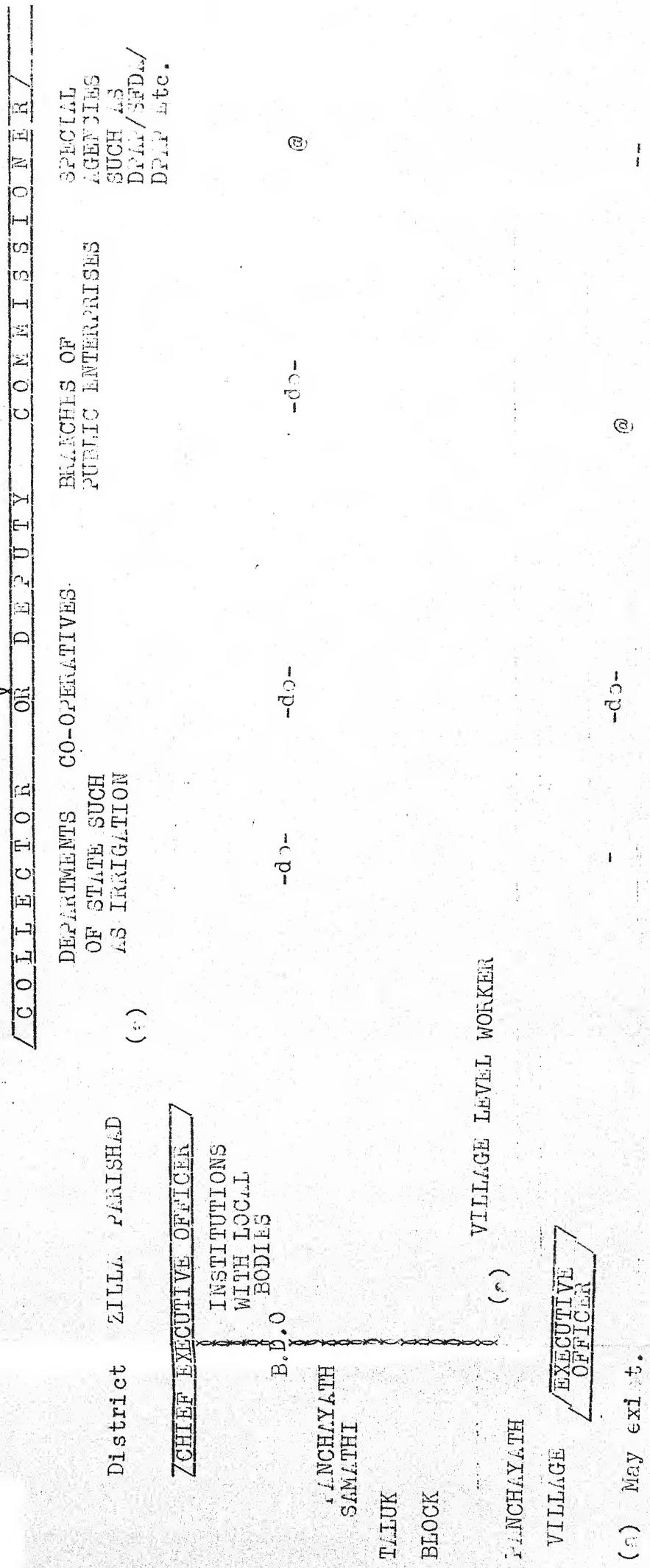


CHART VI

AGENCIES FOR FORMULATION OF FIVE YEAR PLAN (COMPOSITION & FUNCTIONS)

Sl No.	Name of the Machinery Agency.	Composition		Functions (4)
		(1)	(2)	
<u>NATIONAL LEVEL</u>				
(a) National Development Council	Prime Minister (Chairman) Chief Ministers of States, Union Cabinet and Members of Planning Commission.	Laying down broad policies and principles of the plan for development.		
(b) Planning Commission	Chairman, Deputy Chairman and Members (4-6)	<ul style="list-style-type: none"> a) Provide guidelines for the preparation of the Plan. b) Arrangements for the preparation of the Plan. c) Decide the objectives, respective and approach to the Plan. d) Associate with the Working Groups - national and state wise. 		
(c) Central Ministries	Normal set up of the Ministries of the Government of India headed by a Secretary and assisted by other supporting officers and staff technical as well as generalist.	<ul style="list-style-type: none"> e) Develop the State Plans. f) Liasise with the State Government. g) Decide upon the approach to the Plan and the type of programme. 		
(d) Working Groups	Representatives of the Ministries including Finance, Planning Commission (and State Govt. representatives in respect of State Plans).	Detailed composition of the plan including resources sectoral composition, pattern of financing, consistency with the detailed objectives and plan etc.		

Sl. No.	Name of the Machinery Agency	Composition (2)	Functions (4)
II. STATE LEVEL			
(a) <u>Elected Representatives</u>		Cabinet Sub-Committee usually consists Chief Minister and Minister Planning and Minister Finance.	a) Guide and control regarding all arrangements for the preparation of the plan. b) Decide the total and sectoral outlays; consideration and decision on all matters relating to plan formulation, implementation, review etc.
(ii) Legislature		Elected representatives of people.	Discuss the draft outline.
(iii) <u>Advisory Committees</u> (if they exist)		Ministers, selected representatives of special interest such as education, cooperation, commerce.	Advise the Government on broader question on planning (Adviser Government on plan formulation, review evaluation, project choices and development of backward areas).
(b) <u>STATE PLANNING DEPARTMENT</u> (one of the Ministries or also called Secretariat Departments) and/or State Planning Board.		The normal set up of a Department of the Secretary to be headed by a Secretary to Government. In the Planning Department it is assisted by the Deputies and other Ministerial and Supporting staff including economic and statistical staff. (The State Plan to conform to the National objectives.	a) Liase with the Planning Commission, N.D.C. and other Ministries of Government of India on all matters relating the State Plan, Centrally Sponsored Scheme etc. b) Undertake broad review of the economy of the State review achievements of the plan in general as well as sectoral and indicate the overall objectives of the State Plan to conform to the National objectives.

(2)

Name of the Machinery Agency.

Functions.

(2)

Secretary and his deputies
are usually drawn from the
Planning Administrative Service
(few experts (Economists) and
Chief Ministers as well as
important Ministers. Sometimes
the Department itself provides
the secretariat support.

(4)

- c) Undertake or initiate studies in regional development, regional imbalance etc., and indicate to the concerned the principles and procedures to be followed in formulation of the plan.
- d) Make arrangements for the preparation of the plan through setting up of Working Groups, indicating their terms of references and time scheduled for them in their deliberations and collect and collate their reports.
- e) Prepare a consolidated plan and obtain its approval by the appropriate agencies like Advisory Committees/Cabinet etc.
- f) Evolve and prescribe tests for scrutiny of schemes included in the plan for their approval.

(Planning Boards, where they exist, generally perform functions (b) and (c) above, but will not perform (a) and (e))

(c)

4. No. Name of the machinery
Agency.

Composition Functions

(2) (3) (4)

(c) Other Departments
of Secretariat.

Normal set up of a Department headed by the Secretary and assisted by Deputy and Assistant Secretaries and other supporting Ministerial and supervisory staff. (Almost wholly permanent staff drawn from Indian Administrative service.)

- c) Participate in the Working Groups formed by the Ministries concerned in their deliberations.
- b) Consolidate and Co-ordinate the various schemes under different Minor heads of development under their administrative control.
- c) Liaise with the Central Working Groups of the Ministries concerned to ensure uniformity in approach and consistency with the overall National objectives.
- c) The Finance Department however, is basically concerned with the assessment of financial resources in consultation with the concerned administrative departments.
- c) provide basic information on all aspects relating to plans and its formulation etc. in the Planning Department and the concerned administrative Department.
- b) Function as the main technical/field currency in the deliberation of the working groups.
- c) Assume responsibility for implementation of the programme approved and included in the plan.

No.	Name of the Agency.	Composition	Functions
(1)		(2)	(3)
(e)	<u>Public Enterprises</u> <u>Particularly Electricity Board/Road Transport Corporation</u>		<u>Statutory Bodies.</u>
(f)	<u>Banks, Finance Institutions and Other/Industrial Mortgage Banks.</u>		<u>Commercial Corporations and Cooperative institutions participate in working groups.</u>
(g)	<u>Working Groups</u>		<p>The group consists of the heads of Depts., select representatives from public enterprises, officers of the Secretariat, Planning Department, and sometimes non-officials. Non-officials, experts and distinguished persons in respective fields could be co-opted if necessary by the concerned Secretariat. Sub-groups could be formed.</p>
(4)		D)	<p>Liaise with the Ministries concerned with the Government of India and other agencies concerned with either the formulation, financing or implementation of the plan.</p> <p>c) Supervise and review the implementation of the plan.</p> <p>f) Advise the Government in the concerned department on all matters relating to plan participation in the working groups.</p>

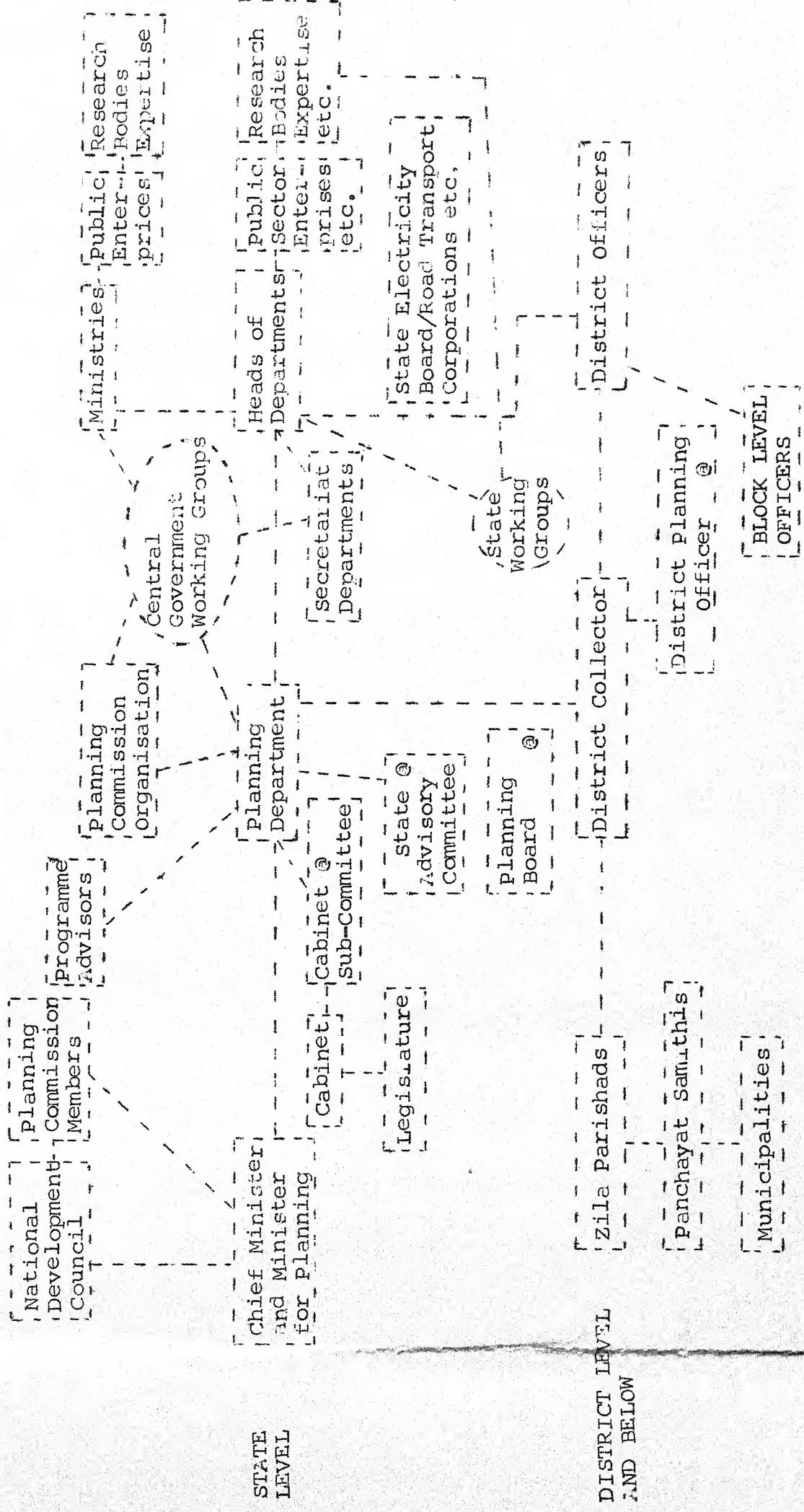
No.	Name of the machinery Agency.	Composition	Functions
	Cooperative Social Welfare and Child Manpower. Each has sub-groups/groups depending upon the subject.		i) undertake quick evaluation of the situation ii) implement in the District. iii) Collect physical and economic data iv) Preparation of the District Plan-Say Plans for secondary education and Communications etc.
I	<u>District Level Agencies:</u>		<p>Statutory Bodies: May be assisted by the District P.L.O. Officer but usually only District Level staff of state Government.</p> <p>i) Zilla Parishads ii) District Parastatal bodies usually assisted by the normal Block staff.</p> <p>iii) Branches of State Statutory Body usually assisted by the normal Block staff.</p> <p>iv) Village Block Plans v) Village Panchayat Samitis vi) Primary Education Institutions vii) Drinking Water, Child Welfare, Minor Irrigation, Steel Multiplicators, Distribution of Pesticides, Insecticides, Sprayers, Rural Industries, Development of Fisheries and Plantation etc.</p>

1. No.	Name of the Machinery Agency	Composition (2)	Functions	
			(3)	(4)
iii)	Municipalities		<p>Planning Committees under the Chairmanship of the Chairman of the Municipality and select members of the council and officers with experience in Urban Development. (only in some States for some Major Municipalities.)</p> <p>Preparation of plan relating to Land acquisition, Town Planning and Development, Water Supply and Drainage, Housing, Slum Clearance, Communications, Mechanisation of Transport and Conservancy, Primary Education, Slumclearance etc.</p>	

CHART-VII

66-A

INTER-RELATIONSHIP BETWEEN AGENCIES FOR FORMULATION
OF FIVE YEAR PLANS



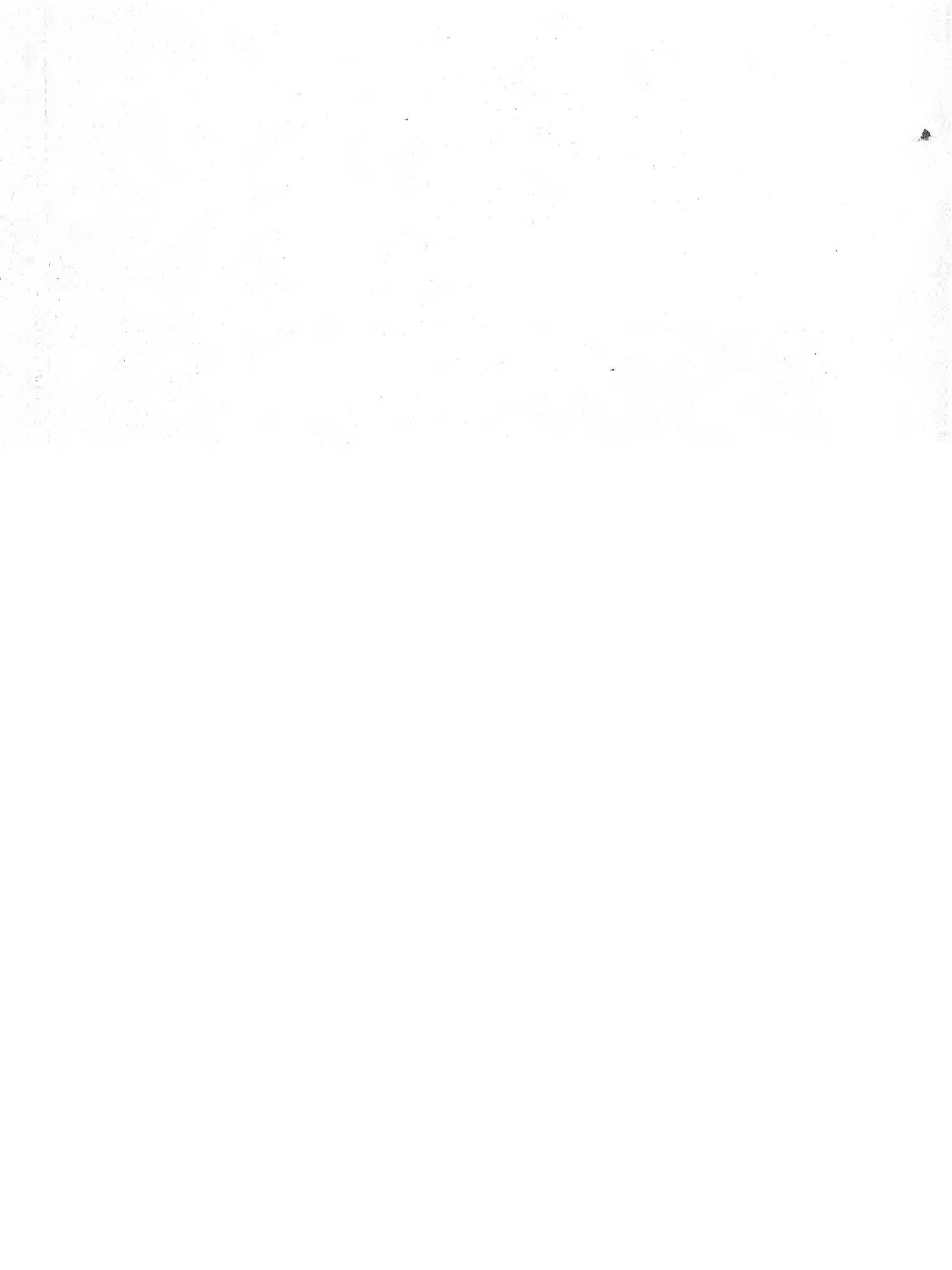


CHART VIII.

ANNUAL PLANS - AGENCIES AND FUNCTIONS

Sl. No.	Agency	Functions
1.	Planning Department (Planning Boards, if they exist, may perform functions i), ii) and iii) through the Planning Department : Also may perform i) of Finance Department)	i) Review of Plans-monthly, quarter yearly and annual ; ii) Receiving the instructions of Annual Plan formulation from the Planning Commission and interpreting them where needed to the conditions of the State ; iii) Disaggregating the total outlay into sectoral outlays and outlays, department-wise ; iv) Receiving proposals of the Heads of Departments, Scrutinising them with reference to overall ceilings, the spill over commitments etc. and collecting them into a Plan ; v) Making arrangements and ensuring discussions on the Annual Plan with the Working Groups in Delhi ; vi) Finalising the Annual Plan and ensuring that schemes are sent for purposes of Plan inclusion in the budget ; and lastly. vii) Scrutinising the schemes to be sanctioned under the Plan with framework and then clearing individual schemes for sanctioning by the concerned secretariat departments.
2.	Finance Department	i) Estimation of financial resources for the Plan ; ii) Budgetary aspects of Plan ;

- iii) Financial sanctions for Plan schemes.
3. Other Secretariat Departments :
- i) Ensure that the proposals of the Heads of Departments are sent to the Planning Department in order to cover the allocations made for the department;
 - ii) Ensure that schemes are sent by the Head of the Department for inclusion in the budget and while doing so, the Secretariat Departments are expected to scrutinise the schemes and then only pass it to the Finance Department for inclusion in the budget; and
 - iii) Each scheme has to be sanctioned by the concerned secretariat department, unless it is covered by a general sanction, encompassing a category of schemes. This sanction has to be obtained by the administrative department after scrutiny and with the approval of the Finance and Planning Departments.
4. Heads of Departments:
- i) Send almost the whole of the information required by the Planning Commission and the Government of India to the Planning Department.
 - ii) Take part in Working Group discussions at Delhi;
 - iii) Furnish the schemes for inclusion in the Plan and in the budget and obtain the sanction ;
 - iv) Implement them and report their progress from time to time;

v) Help the Planning Department in evaluation.

5. Public Enterprises :

Informing the Government about the operations for the year for amount being released to these organisations as per the outlay indicated in the plan. However, the actual use of the money is subject to the control of the Government through the Government representatives on the Board of Director and through the overall powers of control over policy.



CHAPTER FOUR:

ECONOMIC ELEMENTS OF PLAN PROCESSES

For planning it is imperative that certain elements of economic analysis are kept in view. These elements are universally applicable in any situation, though relatively emphasis on the various elements may vary depending on the system in which the plan process is adopted and the tools of analysis utilised. The significance and relevance of each of these elements are mentioned as background for review of the practice at the national and in more detailed manner at the State and other levels. The elements are discussed for convenience in terms of the perspective plan, the medium term plan, the annual plan and implementation and evaluation.

PERSPECTIVE PLAN

As elaborated in the Third Five Year Plan the perspective Plan is the "essence of the Planning Process"(Planning Commission. Third Five Year Plan page 19). For conceptual clarity it is necessary to distinguish between short term and long term benefits. Moreover for taking discerning decisions on inter-sectoral allocations, a framework of perspective plan is a pre-requisite. There are various types of projects (like major irrigation and power projects and improvement of skills in medicine) for which the gestation period may extend even from 8 to 10 years. A Perspective will have to work out broad magnitude and directions of the development and indicate crucial fields of investments requiring long term view of the situation. At the same time, the perspective plan cannot be a

once and for all exercise. It has to be continuously brought upto-date say every time a medium term plan is prepared.

3. At the national-level, projection of broad magnitudes in terms of income, investments, savings, population have been made almost from the beginning of the plan era. The Perspective Plan is usually prepared for ten to fifteen years. There is a perspective Planning Division in the Planning Commission which devotes its entire attention to exercises regarding these projections. Professional expertise is continuously involved in this process. In connection with the preparation of the Fifth Five Year Plan (1974-79), projections of population, urbanisation, balance of payments, income distribution, structure of demand and out-put were made upto 1986. Inter-industry relationships and commodity balances were worked out.

4. The Perspective plan at the national level does not however show the State component. For the first time in 1970 State-wise long term projections in the field of crop husbandry attempted in the Perspective Planning Division. But these projections were not released by the Commission. Similarly though projections of demand and out-put are made, the perspective plan for individual sectors was not formulated as part of the integrated perspective plan.

5. Perspective planning at the State-level is only a recent development. At the time of the preparation of the Fifth Five Year Plan, some States tried to make rough projections of total income and feasible investments so that the

central sector investment and the flow of institutional finances needed to achieve the targetted rate of development could be visualised. Some states have completed the computation of the basic data and inter-industry input-output tables. Some states like Rajasthan had entrusted the preparation of a perspective to technical bodies like the National Council of Applied Economic Research. Gujarat and Tamil Nadu had formulated their perspective plans while Andhra Pradesh had done certain exercises as part of the Fifth Plan formulation.

6. Gujarat has prepared a 10 years perspective plan covering the Fifth and Sixth Plans. The Gujarat Government had commissioned the assistance of Sardar Patel Institute of Economic and Social Research, Ahmedabad and Operational Research Group, Faroda for this purpose. The Perspective Plan claimed that it is "neither conservative nor ambitious" and aimed at the growth rate of 7% per year. It gives sectoral break-up of out-lays under the State Public sector, the Central sector, and the private sector. The estimation of numerical magnitudes was based on the modified version of planning Commission's approach for handling material balances. It is however, pointed-out that on resources allocation for the State Plan schemes informed judgment of the State Planners are, ipso facto, very important and exercises such as the one done in this paper only supplement such judgements (Perspective Plan of Gujarat (1974-84), 1972, p.369).

7. The Perspective Plan of Tamil Nadu was drawn up by the State Planning Board which has both full time and part

time professional expertise. The perspective plan covers a period of ten years and aims at a growth rate of 2.22 percent income percapita in 1974-75, over the previous year, reaching a level 8.96 by 1983-84. The basic approach which is one of aggregate projection of the economy in terms of investments, income, sayings, investment-income rates tries to project the required level of central investment to achieve the desired growth rate. The task was approached from three sides. Firstly, a plan frame and investment model was prepared. Secondly, sectoral plans were prepared by fifteen task forces constituted for the purpose. Thirdly, an area-wise study of needs and potentials was made by District Planning-dividing the thirteen administrative districts into twenty three development districts. These three were "synthesised" within the national plan frame to prepare the perspective Plan of the State. The required income growth in different sectors were determined with reference to the structural changes visualised and estimated sectoral demand based on respective elasticitics of demand. Incremental capital output ratios, calculated by using the past data, helped estimate investment needs. The investments were "divided" among the three investing agencies viz. State sector, Direct central investment and Private sector. (The perspective Plan for Tamil-Nadu 1974).

8. In Andhra Pradesh, a simple projection of investments and income of the State were made on certain assumed investment-income ratios and alternative paths of growth were worked out. The Perspective Plan covered a period of ten years i.e. fifth

and sixth plans and three alternatives were workout. This is however presented as a part of the Fifth Five Year Plan. The Plan has mentioned the detailed regional perspectives prepared as the basis for a perspective for the State. (Draft Fifth Five Year Plan of Andhra Pradesh 1974).

9. Thus the methods adopted and the periods of the perspective plans and their objectives show variation. These by themselves need not be a matter for concern. The process will have to be continuous and iterative. Secondly, there is no link between the national plan and the perspective plans of the States. This link is probably, possible only with the regionalisation of the national plan. Thirdly, in the context of multi-level planning, adequate understanding of the spatial strategies is essential. When multiple decision making agencies are operating on the same space, a common vision of the future shape of space is a pre-condition for coordination. It is said that such a plan should be constructed from two ends. (Chakravarthy 1972). The Study Team of Administrative Reforms Commission had indicated that Planning Commission will have to accept the responsibility for initiating long term development plans by the State. Fourthly, necessary skills and trained personnel are lacking at the State level and as much special efforts for strengthening these skills are required to be made.

10. Naturally there is practically no progress made in perspective planning at levels below the State. In Andhra Pradesh, however, attempt has been made to prepare a perspective

plan for three "policy regions" viz., Rayalaseems, Telangana (completed); and Coastal Andhra (under preparation). These contain inventories of resources and a detailed analysis of the spatial aspects. Some distinct features of these exercises are division of the areas into homogeneous regions, identification of appropriate strategies for development of these regions, analysis and projection of the settlement hierarchy, and working out magnitudes of development for various sectors. An effort has been made to prepare perspective district plans within the frame of regional perspective. Maharashtra and Tamil Nadu have already initiated perspective plans for districts. In Maharashtra, considerable data had been collected and an outline of a perspective prepared. In Tamil Nadu, however, these exercises for districts formed part of Perspective Planning exercises at the State level. Both exercises involved sub-regionalization of the districts into homogenous units on the basis of appreciation of data.

MEDIUM TERM PLANNING:

II. A rational approach to planning involves due appreciation and sufficient knowledge of the 'relevant conditions' of the society. Such a knowledge comprises of technical, economic and sociological conditions and also an insight into the functioning of financial institutions (such as Banks, Investment Corporations) and current use of the community resources, (energy, the consumption pattern, foreign exchange, utilization of capacities in Industries etc.). It also includes identification of inter-relationships, and their quantification, so

that adequate understanding of the system is obtained. This is possible through a series of surveys which may be undertaken over a period of time, or studies specially designed for the purpose; and review of past performance and the on-going effort.

12. At the national level there is a well organised system of national accounts. Besides continuous studies special studies are also periodically undertaken specifically for the formulation of the medium term plans. Important organisations involved in the generation of data useful for the planning exercises are the Planning Commission itself, the Reserve Bank of India, the Central Statistical organisation the National Sample Survey, the Indian Statistical Institute and the Programme Evaluation organisation of the Planning Commission. There are also a number of semi-autonomous research institutions which aid the process such as National Council of Applied Economic Research, Institute of Economic Growth and recently setup Institute to study fiscal matters (led by Dr. Raj Chelliah). The over all picture of the national economy is thus analysed though it is seldom disaggregated into State Components. Secondly detailed sectoral projections are made only in respect of sectors in which production by and large takes place under the Central Sector (iron, coal etc.).

13. At the State Level, some surveys were undertaken mostly at the time of the Fifth Five Year Plan and that to only by a few states such as Gujarat, Uttar Pradesh and Tamil Nadu. They could not however be finalised in time to form an adequate base for the preparation of the Fifth Five

Year Plan. Secondly, indepth sectoral studies were seldom made. Thirdly; only meagre attempts were made at quick evaluation of the impact of the Schemes by some departments. Fourthly, the heads of the departments or Collectors are usually required to evaluate on-going schemes before indicating their proposals for the Fifth Plan. There is no evidence of such evaluation having been done. Finally, there is no institutional mechanism developed as yet purposively to collect all the data and past experience available with the research laboratories, Universities etc. Recently, however, there have been some positive developments in this direction. They comprise, Inter-alia the encouragement given to the Institutes of Planning and Development in Kerala (Led by Dr K.N. Raj); in Karnataka (led by Dr. V.K.R.V. Rao) in Tamil Nadu (State Planning Board itself supported by Dr. Malcolm Adisoahaiah Institute), in Gujarat (Sardar Patel Institute of Economic and Social Research, Ahmedabad and Operational Research Group, Baroda) etc. In Andhra Pradesh Technical Cells have been instituted and financed by Government of in every University to provide professional support. One does not however find exercises of this nature done at levels below the State.

14. In the light of the perspective plan, insights acquired by surveys and reviews into the special problems and the socio-political values, the objectives that should govern the five year plan have to be setforth, though in broad terms. Such an enunciations of objectives is crucial for a proper understanding of the governing factors of the plan effort

by all concerned. At the national level the objectives have been broad and common all through except that the relative importance was sought to be altered. In most of the States there is no evidence of any debate on the objectives in any of the Working Group discussions or working papers prepared. The issue of objectives or alternatives would be thrown up only if adequate data and analysis have gone into the exercise. The endeavour to prepare an 'Approach' paper for the Fifth Plan by the States Governments provided an opportunity to a few States to raise the issue of objectives.

15. Having defined the objectives (i.e. what is intended to be achieved), it is necessary to identify the instruments that are available to realise the objective and the constraints within which the instruments have to operate. There is a broad distinction between the powers and responsibilities of the Centre vis-a-vis the States. Instruments available to the Central level might work as constraints for the State level and Vice-Versa. At the national level aggregates are fairly well-worked out though views may differ regarding the tools of analysis and range of alternatives considered. Process of conversion of sectoral financial and material balances into operational, detail of agency-wise funding and project responsibilities is not very clear at the national level. However, at the level of the State, Identification of the instruments is generally restricted to (a) estimation of the investments in the State Plan (b) indication of the need for investment by the Central sector and (c) assumption that investments would

forth coming from the local bodies and the private sector. Broader and more strategic aspects like credit policy, monetary policy, are no doubt the vital instruments available to the Centre. Regrettably the States have no insight into these matters. Even information on the flow of central investments and institutional finances is generally not available to the States. Yet, as a starting point, some assumptions could be made, Finally, it is undeniable that there are other instruments within the State Sector (such as sales tax, subsidies in the context of industrialisation, water rates to regulate water management and irrigation policy; power tariff in the context of relative emphasis on different sectors etc.) which are not considered in the total frame (Such a criticism is equally applicable to the union level).

16. There is need for careful estimation of financial resources needed for the development effort and ensuring availability of commensurate physical resources. Estimation of resources is an elaborate exercise at the national level particularly in terms of domestic savings and net external assistance. Relative roles of public and private sectors are also worked out. Estimates of physical inputs in respect of crucial categories are also made. The whole exercise is aggregative. The Union level has not identified a method of disaggregated analysis of these at the State level.

17. At the level of the State, the main components of investment effort may be broadly identified as Central investments, private investments (particularly institutional finance),

investments by local bodies and State investments of which State Plan outlay is the most important component. The net development effort is a function of all the investments operating in the State. The physical resources involves among others, manpower (particularly technical), consumption goods (to tally with wages and incomes policy), and important construction goods such as cement and steel. At the State level estimation of financial resources for State Plan effort is usually given attention in two phases. Initially rough projections are made on the basis of past experience and broad national approach while at a later stage resources for State Plans are arrived at taking into account central assistance, additional resources mobilisation, and permissible market borrowings. It appears that all physical inputs, (consumption and producer goods) and all categories of manpower were assumed to be available in the desired quantities and at appropriate time through open market mechanism and plan effort made by the Central Government. In view of the preoccupation of States with the mobilisation of resources, and insistence on the curtailment of non plan expenditure, there has been a tendency in many states to neglect the proper upkeep and maintenance of existing assets such as buildings, roads, irrigation works. Over a period the neglected capital assets tended to demand capital improvements some which have however, to be brought under plan coverage.

18. Even in respect of the limited effort of estimation of the plan out-lay the State encounters a number of disabi-

lities. The quantum and pattern of central assistance and public borrowings permitted by the Government of India, the likely size of the revenues accuring from the awards of Finance ^{/balances} Commission are matters seldom spelt out, however roughly, sufficiently in advance. The Central sector investments are not broken down state-wise and the estimation of private sector investments and institutional finance could only be crude guesses. A tentative frame of investment magnitudes which may or may not be useful could still be attempted. The more depressing situation is, that in the whole process, many States are not aware of flow of resources into development effort even expost. The situation is no better at levels below the State, particularly when there is no organised plan process.

19. Given the objectives, constraints, instruments resources, and the relevant conditions of the society, it should be possible to arrive at a number of well-worked out alternatives. The alternatives would take into account the possible changes within the frame work of resources, objectives, constraints and instruments. In any case considerations of alternatives in the plan process is theoretically desirable. It is said "An important part of the planning process has to be in terms of working out a few alternative possibilities, where it is the long term plan or the medium-term plan".

20. At the national level the alternative paths of development are no doubt, discussed, but are seldom specifically presented as technical and economic alternatives. This is one

of the criticisms of planning in this country. "This approach of posing alternative with their implications has not yet been adequately attempted by our planners." (Study team on Machinery for Planning, Administrative Reforms Commission.

21. At the State level, it is pointed out that the problem usually is one of adjusting the sectoral out-lays keeping in view the heavy spill-over commitments and the out-lays on specific sectors to earn central assistance and provide matching contribution for the Central-sector schemes. In this background it is held that formulation of alternatives does not take place. However, there appears to have been some discussion of alternatives in the Working Groups especially from the Fourth Plan onwards. As far Planning at the district level (what little there has been) unique and generally acceptable solutions have been presented and issues of alternatives were not presented at all.

22. Operationally, target setting is a significant element in plan process. It is through the process of targets meeting that planners, policy makers, implementation agencies, private and semi-public bodies seized with the concerned and related activities, get an idea of the content of the Plan formulated. It also because a quantitative expression of what is contemplated and thus involves the standard by which the performance is to be judged and further effort programmed. Hence, realistic target setting is crucial to meaningful and effective plan formulation. Broadly, the target setting should be in conformity with the objective enunciated, total investments anticipa-

ted, under-utilisation of capacities, technological changes under-way etc.

23. At the national level, the targets for planning in the subjects relating to Union lists are worked out on technological and economic considerations. The Union Government usually deals with highly organised sectors. However, at both the national and State levels there is an impression that the processes of target setting being unrealistic the targets are revised too often. Realistic target setting becomes difficult when there are uncertainties regarding total out-lays. Total out-lays are revised a number of times in a period of few months of discussion between the State and Centre. Determination of targets for revised outlays involves labour unless investments and results are proportionately related which is seldom the case. State Plan investments are only one component of the total effort and other investments being uncertain, target setting becomes less realistic. Further, the sectors in which the State Plan operates are essentially unorganised sectors involving substantial private activity (such as agriculture, well sinking cottage and village industries, ayaquat development under irrigation, primary and secondary education etc.) making it difficult to set realistic targets. In fact there is a tendency to fix targets a little high to get the clearance of various schemes and also to secure increased outlay for the concerned sector. Finally, certain norms and yardsticks are indicated by the Central ministries with reference to different Schemes. Due to many reasons such as the traditional

pre-eminence of Central Ministries over State Ministries, the complex nature of working-out separate yardsticks for the State, the readiness with which the Central Working Groups accept the State Plan Scheme when once they conform to Central yardsticks, make the head of the Department of the State adopt and follow the yardsticks prescribed by the Centre. Evidently there is need to undertake special studies in each State and for parts of it to lay down appropriate and realistic norms for target-setting.

24. The techniques adopted for Plan preparation vary from country to country, (or State to State within a country) and over a period of time. Yet in practice, it is possible to distinguish important phases in plan formulation viz.- macro, sectoral and project phases. Project phase is the most crucial aspect of Plan process, since, it is only, through projects that the conceptualisation and rationalisation gets translated into reality. Most of the projects at national level involve large investments and take longer period to fructify. They are in the fields like Heavy industry, Ports, Railway etc. Preparation of feasibility and project reports is a pre-requisite. However, underestimating costs and overestimating benefits to get clearances is common. Presenting a part of the project to get commitments is also usual. Taking up, a large number of projects, disproportionate to resources available, resulting in uneconomic bunching is also very common.

25. At the State level, the nature of project identification and choice has to be slightly different. In the field

of social infrastructure such as education, health etc., the levels of development reached and are to be attained are identified for the State as a whole as for instance, coverage of the age-group population and its rural urban composition area etc., though primary schools, High Schools, dispensaries etc. The level of performance like enrolment in the schools, number of hospitals and dispensaries number of kind of specialists manning them and nature of equipment at different levels of medical care etc., are assessed and targets determined. To achieve the target level, the additional inputs in terms of number of schools, teachers hospitals, dispensaries, doctors & nurses building etc., are worked-out on the basis of normative ratios. The sub-sectoral and sectoral aggregates so arrived at are incorporated in the Plan. Similarly for facilities like drinking water, number of villages to be covered and nature of facility to be provided are worked-out. Details are left to a later stage. In the field of economic infrastructure, irrigation and power are most important. In irrigation sector detailed projects for major (and to lesser extent medium sector) are processed by the Central Water and Power Commission based on detailed projects reports. Though there may not be a shelf of projects, there are always candidate projects that are at various stages of survey and feasibility awaiting to be taken-up. In the minor irrigation sector, only financial allocations are made as a function of irrigation potential to be created. In the field of power, details are worked out for generation while for transmission and distribution including

rural electrification allocations are linked to likely physical benefits to be conferred. Similar rationale is applied to other items such as godowns, milk chilling plants etc. In directly productive sectors, the exercise is more complicated. In Agriculture, for instance, levels of production and productivity to be reached are identified. Much of the activity is in free enterprise and the main instruments are the nature of strengthening of extension, credit channels, input supplies, subsidising of inputs etc. In Animal Husbandry, for instance, coverage of Animal health, artificial insemination facilities and targets etc. are determined on the basis of broad magnitudes only. The Project detail is more in the nature of the desired patterns of development, strategies of development and nature and coverage of 'Schemes' through which they have to be operationalised. The District sector often, as pointed out earlier, presents a limit of schemes, but seldom in the context of a plan. The exceptions appear to be special programmes like S.F.D.A. , I.D.P.A.P. and even here the broad logic is the same described for state level except that the degree of detail is more at the district level (i.e., even locations are clarified).

26. Till the Fourth Plan, the flow of Central resources for most sectors was liked to centrally sponsored schemes and hence there was little initiative for the formulation of projects at the State Level except for big Schemes. Though the position has since changed, there is still a feeling that norms and standard types of Schemes proposed by the Central level are readily adopted by the State Governments as a 'play safe approach'

or in accordance with the 'old habits die hard' dictum or "ease of getting approval" attitude. Secondly, even with regard to very big projects, there is a tendency to overestimate benefits and underestimate costs to get the 'clearance' of the Central Government easily. Thirdly, for various reasons, a larger number of projects than can be afforded are simultaneously taken up, with the result that the choices are often only between on-going projects for which there is some commitment. It is generally felt that when once a project somehow gets included there is every possibility to ensure its completion.

ANNUAL PLAN.

27. . . The most distinguishing feature of annual plan is that it is operational. It is also an instrument of adjustment and revision since all assumptions made in the Medium term Plan will never come true . The annual plan, is, therefore, expected to show sensitivity and resilience in adjusting to the developing economic situation. Naturally, annual plans provide the framework for current economic management and policy, more particularly in finding solutions to the more urgent needs of the economy. In the Indian context, the importance of annual plans was recognised in the Second Plan. It is mentioned that "There should be published specific and detailed plans for each year within the general framework of the five year plan. This would avoid undue rigidity in implementation and will permit changes to be made according to the developing needs of the economy.

28. . . Review of performance is a pre-requisite for annual

plan formulation since the current situation provides the base and serves as the take-off point for future. Review would be concurrent i.e., schemes are being implemented or it could be done at the end as postmortem. While review of progress of implementation of schemes will ensure better control and lessons for future, more comprehensive review covering the current economic situation is preferred for purposes of formulation of annual plans. Review has to be ideally both in physical and financial terms. Though the nature and the comprehensiveness of the review would perhaps depend on the type of data that could be made available. A realistic approach would perhaps to be rely on partial analysis, limited to review of public sector activities. This could be supplemented by a rough appreciation of the private-sector activities. To be purposeful review should cover important projects in greater detail. Similarly, in general, production and price trends of essential goods, consumption as well as capital, would be necessary. The review should no doubt be analytical identifying the areas that need attention for the succeeding year's plan effort. Finally, the review should be timely, if it is to serve a useful purpose.

29. At the national level, various aspects mentioned above are gone through systematically though the degree of accuracy and the coverage may be questioned. Lags in reviewing current economic situation are sometimes pointed out. There is a monitoring cell in Planning Commission, and in individual Ministries, implementation of major projects are reviewed (usually for the every quarter) by Inter-Ministerial Committees Constituted/purpose.

At the State level reviews of progress of sanctions and expenditure are usually undertaken monthly, quarterly and annually. Physical achievements are reviewed every quarter and year. The progress of major projects is sought to be reviewed in great detail usually every quarter. There are however, frequent delays in reviews generally attributed to poor reporting system. It is incomplete in respect of physical achievements as the main focus is only on progress of sanctions and expenditure from the state budget. Thus, the review often fails to cover the large public enterprise activity and would appear to be an arithmatical exercise. It will be unfair to judge the review function at the State level in such formalistic terms. Intimate and personal exposure to progress of schemes by all concerned is common and intensive review of important projects is usual. The lag is in comprehensiveness and not in depth. The main problem is one of emphasising the crucial role of the control function linking, at least to some extent, the succeeding year's allocations to projects and sectors with progress identified through reviews; and appropriate reporting and monitoring systems. At the district level, quarterly review is common, by zilla Parishad and/or Collector. The basic thrust is the review to check on effective implementation and not, for formulation of any annual plan.

30. The annual forecast is intended to provide a rough outline of the economy in the coming year and facilitate the short term reorientations required in the medium term plan

frame. The forecast should cover major macro-economic magnitudes such as the gross domestic product, production, prices investment-private and public, savings etc. The methodology of such a forecast may differ depending on the circumstances, particularly, the availability of data. Some important aspects which should find a place in the forecast are: production of important commodities including utilisation of capacities and short-term commodity balance. With the help of the annual forecast, it would be necessary to assess the overall resources available to the economy and to indicate their probable use for the coming year in macro-economic terms.

31. . . From this macro-picture, it should be possible to make an estimate of financial resources and physical bottlenecks. The first aspect relates to estimation of available financial resources for the budgetary expenditure of the Government in the light of the forecast already made and the overall policy frame-work adopted for the medium-term plan. Secondly, the investible funds that would be available for private sector in general and flow of resources through the institutional finance should be estimated. Thirdly, key material resources have to be estimated so that demand for certain material resources and their supply are in reasonable balance. The problem of scarcity of inputs such as Electric power and Water, though difficult to be solved in the short run, must be taken into account for this purpose. At least, over-ambitious annual targets in sectors which are dependent on electric power and irrigation facilities can be avoided. Fourthly,

even if financial and other inputs are available the lack of managerial and skilled technician can be a serious constraint to the setting up of new ventures. Though in the short-run this problem cannot be solved, adjustments, could however be however be attempted.

32. . The exercises on forecast are carried out at the National-level. Economic forecast has become a well-established exercise. At the State level, the forecast is usually, and perhaps justifiably restricted to production and availability of agricultural out-put. The estimation of resources at the national level is a joint exercise to be made by the Ministry of Finance and the Planning Commission. At the time of the Five Year Plan formulation, yearly break-up of resources is not generally attempted. At the State level, the process involves initial estimate of financial resources that can be mobilised by the State Government. At the joint meeting of the Central and State level representatives a total view of Central assistance and permissible market borrowing is taken. Usually there is disagreement between the State and Central agencies on the issue of resources and a comparision of the estimates initially made by the State Government, the advice of the Planning Commission on the assessment and the post-facto actuals rarely show any correspondence. In fact the whole exercise of the estimation of resources is restricted to the indication of likely central assistance from the Government of India and the public borrowings permitted for the year. Once they become available the exercise is only mechanical. Since the basic

nature of State Planning is predominantly planning of public sector schemes, this position is not surprising. At lower levels below the State, this question does not arise as no institutional base exists at these levels.

33. An important phase in the annual plan construction is the speaking out of annual objectives (not so significantly) and the setting targets (more importantly). It is sometimes contended that setting of realistic and firm targets is difficult in a mixed economy since the annual targets are only indicative in nature. It follows that the public sector targets can be relatively made more realistic and firm than those of the private sector. "In view of this, the usage of the term" has been questioned and preference has recently been shown for the term levels of anticipated production/development/achievement." (Shahgil M.1968)

34. Whichever term is used for convenience, the setting up of targets is inevitable for operational reasons. The annual plan would have its own focus adjusted on the basis of medium-term strategy, annual review, annual forecast including the estimation of resources situation, and preliminary assessment of the effects of policies. This exercise would help identification of serious problems and difficulties and quantitative expression of tasks in a more realistic manner. Basically, the targets will have to be sufficiently detailed to make their operationalisation possible. To this end, the most important and key targets could be identified, such as the rate of growth of G.N.P., level of investment proposed, commodity growth

rates; level of essential services, including social services such as, education, health etc.

35. . The annual target is generally treated as a function of the Five Year Plan exercise already done. For activities normally covered by the planning Central level, target setting is easier as they plan programmes often in the organised sector. However, there is a tendency towards over-targetting. At the State level, the problem is slightly more complex. A standard relationship between investments, schemes, and targets is established at the national level. Each State finds it convenient to accept this relationship rather than take the trouble of explaining any deviations from it. Secondly, targets are sometimes set with reference to schemes and departments rather than sectoral levels of development. Target setting as an administrative operation is feasible and common at the district-level, but such targets are invariably fixed for each department at the district level only by the State level.

36. .. It is not possible for the medium term plan to provide all details of different projects; subsequently the annual plan, will have to provide all the details of the projects.

Projects in the public sector are naturally more detailed while for the private-sector only the total magnitudes are presented.

The real issue is about the choice of projects. It involves the consideration of the list of projects; of appraisal reports on these projects; and of progress of ongoing projects (so that the balance between projects at various stages of construction and taking up of new projects could be

worked out. This is in fact, operationally a very significant aspect of the process of annual plan formulation. The earlier exercises are intended only to aid and lead to more purposeful identification and detailing of sectoral programmes and projects.

37. At the national level, the sectoral programmes and projects are derived from the Five Year Plan since most of them are in the organised sectors and the projects involve heavy investments. Year to year decisions on projects and programme would be more in the nature of change in emphasis and taking up special programmes to meet emergent needs arising only of socio-political exigencies. However, exercises have to be far more disaggregated and detailed in the context of relatively dis-organised sectors. New projects involving an outlay of less than one crore (ten million) rupees are cleared by the Ministries concerned with the help of internal finance unit. Those above one crore and less than five crores are to be approved by a committee under the Chairmanship of Secretary (Expenditure) in Finance-Ministry. Those involving outlay of over five crores, is approved by cabinet, after being scrutinised by a committee of Secretaries, called Public Investment Board. This Board is actively assisted by Project Appraisal Division of Planning Commission and Bureau of Public Enterprises. In any case, the project proposal emanates from executing department, or corporation. It is only appraisal and tailoring of "a given" project or fixing of inter-se priorities among a set of 'given' projects - that

occurs even in these elaborate project appraisal procedures. The sectoral allocations are arrived at iteratively at the State level in the light of the spill over commitments, need for earning central assistance and relative emphasis as among the different sectors. The exercises really are confined to the investment programmes of the State Government including those which are required as matching contributions to the central schemes. Thus, in the field of social infrastructure, the specific number of (schools, hospitals, etc.) to be completed and to be taken up with financial implications on the basis of "standard units" constitute the project details. For the most part, location and district wise-details are seldom settled at Plan formulation stage. Items relating to larger projects like Medical Colleges etc., are derived usually from the Five Year Plan just as irrigation and power projects in the field of Economic infrastructure are taken up from Five Year Plan. Basic problem in regard to these schemes is the allocations for completing projects. Usually a number of half completed projects would be competing every year for allocation of scarce resources. It not only makes plan process difficult and delays all projects but it also involves uncertainties in technical sequencing and scheduling of construction operations. In respect of directly productive schemes, project indefication would still be restricted to 'standard units' of schemes indicating total physical and financial outlays. Interdistrict allocation for almost all these activities are not worked out as part of annual plan formulation at the State level. The

practice is to go into project details only if they are medium or large sized. New projects, are thus generally cleared by a Committee of Secretaries constituted for the purpose and approved by Cabinet. Even here, candidate projects are usually sponsored by State Heads or Departments (and even if some political pressure is brought to bear the Head of the Department has to initiate proposals). Once the sectoral allocations are decided, project allocations for important projects is a subject matter of decision at Government level - and for the rest the matter is left to the Head Department to identify the projects. The identification is subject to standard norms (population, area coverage for social services, financial returns or cost benefit for irrigation projects etc...). In fact, there are not many activities in the State (except Major and Medium irrigation, power generation, large industries, research and surveys) where details of individual projects can be economically obtained analysed and handled at the State Government level. Further, techniques such as benefit-cost have limited application in a micro-situation with enormous externalities and emphasis on social and economic infrastructure. Further, the tendency to take up standard schemes suggested at the Central level still persists (for various reasons as explained in earlier section on project details in medium-term plans). Quite often project details are supplied at district level but seldom in an integrated manner.

38. It is necessary to appreciate how Central-State link up works in the context of sectoral outlays and programmes.

The Planning Commission issues guidelines to all States.

Being general guidelines they are meant for all the States and do not take cognisance of the special problems of individual states. The sectoral guidelines also contain lot of details, unexceptionable but not specific to the unique problems of each State concerned. Further the considerations that weigh with the Planning Commission and the proforma to be filled in by the State Governments in respect of sectoral programmes and plan schemes year after year have tended to become repetitive, ritualistic and routine. Perhaps, a more purposeful approach would be for the guidelines to highlight special economic aspects and consequent policy reorientation in the respective regions and their specific relevance to the State's annual Plan. This would acquire rigour in plan process and pinpoint attention on specific and more important issues.

39. . Further, while calling for annual plan proposals, the Planning Commission set-forth all the considerations that should govern any annual plan, and in the process suggestions include aspects on which action is not feasible within the plan for the year.

40. While the quantitative information elicited is voluminous (involving thousands of figures) the time allotted for discussion of the Plan proposals relating to the data is only a day or two. This aspect had evoked critical observations. For instance, Chief Secretary of a State wrote that an exercise in which all the discussions are concluded in two days, is really of little meaning. Theoretically the purpose of discussions

in Delhi through Working Parties is to ensure that the State plans conform to the overall objectives and policies of the National Plan. But the proceedings of the Working Parties do not indicate any specific policy guideline in this regard.

"What is really needed at the Central level is only ensure the State Plans are in conformity with the overall aims and objects and policies of the national plan. Similarly conformity would no doubt be necessary even in sectoral plans to certain national policies, such as those in relation to exploitation of natural resources or a fuel policy etc. The device of working Groups which reviewed the State plans was ostensibly intended for this purpose. But they have never been able to confine themselves to this aspect nor have they been able to achieve this purpose, partly because no such policy frame had been evolved at national level itself and partly because the techniques for ensuring, or even ascertaining, conformity between detailed schemes and broad policy constraints have not been evolved or certainly have not been sufficiently refined."

41. As one of the Chief Ministers put it in his letter to Prime Minister a few years ago, "In practice, the Working Groups became merely a device by which either the Central Ministries imposed their pet schemes on the States or the States successfully hoodwinked the Central Ministries, depending upon the astuteness of the concerned officials. The exercise, which in the days when central assistance was linked to sectoral allocations was a tyranny, therefore, became a mere mockery in the last few years when central assistance has already

been decided on the basis of a different and invariable formula. Cycicism alone was the common feature in both these phases."

42. 42. In fact, it has also been pointed out in the correspondence by one of the States that "from past experience it can be safely said that they would all recommend higher outlays with the result that the ultimate decisions will bear little relation to what they would be recommending..... The final exercise of matching allocations with resources, has, therefore, necessarily to be somewhat arbitrary." In fact, the logic was stretched to such an extent that one state felt that the benefits of discussions accuring to the State were not worth the air fare for twenty-five officers from the State to participate in the discussion.

43. 43. The stand taken by the Planning Commission has generally been that the discussions would help guiding the States in the careful determination of priorities, programmes, and projects. Secondly, it was considered that this was **only** a mechanism by which the Union Planning Commission could fully inform itself of the details of the development of the programmes in the State.

44. The Planning Commission should, perhaps consider devising means of identifying specific problems of each State and advising it on them and what is of greater importance is the evolving methods of highlighting national policies, vis-a-vis, State Plans more specifically. A policy framework should be evolved which would ensure that the State Plans closely conform to the over-all and sectoral plans objectives. This

would lead to a more purposive and concentrated effort in the scrutiny of state plans ensuring at the same time adequate and autonomous responsibility for the State Governments.

45. To the extent the plan is envisaged as an integral part of the overall economic policy and the instruments of achieving developmental goals are not restricted to the plan investments and plan decisions, there is need for detailing policy framework and identifying a set of policy instruments for implementing the policy objectives of the Plan. No doubt, the major instruments of economic policy which correspond to the objectives and contribute to the attainment of the targets, should normally be incorporated in the medium-term plan. However, since the medium term strategy may be too general and the actual situation may change from year to year, some realignment may be required on an annual basis in this sphere of economic policy also. In this regard some important aspects of the economic policy framework that the annual plan should cover are prices, fiscal, monetary and credit policy; agriculture, industrial and trade policy, policy on wages and employment etc. This, in principle, is being done at the central level. In the circumstances of limited policy instruments, uncertainty about the public sector investment in the State itself, and the lack of adequate data, there is practically no way of arriving at an economic policy framework for the succeeding year. Naturally, there has been no attempt in this direction.

46. The plan unfolds itself in operational terms through the budget and accountability to the Parliament in the

developmental sphere is ensured through the budget. The question of integration of the Plan with the annual budget calls for consideration of a number of issues. Budget presentation is governed by certain procedures and practices. If they do not adequately answer the plan process requirements, supplementary and explanatory documents should be drawn up.

Ideally, the budget should encompass public sector programmes and ensure unity in their presentation. It is possible that the budgetary practice may cover the activities of only some public enterprises, resulting in lack of comprehensiveness in presenting the picture of public transactions and the allocation of resources vis-a-vis the plan priorities.

Secondly, the budget may also have to be presented in a way that the classification of receipts and expenditure, development and non-development categories are related to plan concepts rather than the budgetary concepts. Thirdly, budget estimates have to be prepared after full scrutiny of proposals instead of postponing it to a later stage when expenditure is sanctioned. Fourthly, the programme and performance could also be considered as the means of expressing the plan implementation aspects. However, while conceptually performance budgeting is superior to other budgetary systems, the underlying personnel, organisational and procedural inadequacies should be properly projected along with the mechanical presentation of performance budgeting. Fifthly budgetary procedures and practices should be flexible enough to accommodate some changes in plan allocations if circumstances warrant. Lastly,

the need for synchronisation of the planning year and the budget year also needs mention.

47. Budget is the most important document through which the legislature exercises control over the executive. Though in practice the budget may have to be approved or rejected in toto, the session itself provides for discussion at length. As such better understanding of the plan process and a positive approval of the plan would be possible only if plan details are given adequate exposition both in the budget speech and during the budget session.

48. At the national level, the programmes to be part of annual plan are purposed by the concerned executing departments through the Ministries, and there are discussed with officials Planning Commission and Ministry of Finance. However departmentwise outlays are fixed toward end-January by Planning Commission in consultation with Ministry of Finance. Detailed programwise budget purposals are Plan made by the Ministry concerned to the budget division for being incorporated into the budget. At the state level also, the Finance Department receives proposals from the various heads of departments in the light of the annual plan outlays and priorities indicated by Planning department and these are incorporated in the budget. There is usually a plan budget link. Performance budget has been introduced in almost all the states. Recently reclassification of the budget leads has been done on economic considerations. But the budget does not present the programmes of all the public sector units. The legislature is no doubt aware of the financial provisions made in the budget for plan

purposes but the plan document is seldom a comprehensive one indicating the details of objectives and rationale of schemes (sector-wise) to enable the members to have a discussion on specific issues. There is no budget at the district level for Zilla Parishads (i.e. a restricted view.) At present their own resources are adequate even for meeting the establishment charges and maintenance of works.

49. Finally there is need for strict observance of time schedule as the programme of annual plan preparation calls for concentrated activity within short span of time. The concerted effort of a large number of agencies and institutions requires a fully planned out time-schedule. Further, the annual plan in terms of time is close to the stage of implementation. There is, therefore, need for intensifying planning work maintaining high quality at the same time.

50. The preparation of the annual plan starts in the months of October - November of the preceding year. A series of discussions centering round financial resources, sectoral allocations etc. are held, taking into account the physical implications of major projects etc. By the time the shape of plan outlay emerges it is December - January or even early February when there will be discussions between the Planning Commission and the Working Groups at Delhi. The proposals are again discussed in February and included in the budget. The budget is normally operative from first of April. The time available for Heads of Departments at the State level (who sponsor the inclusion schemes) is very inadequate for

revamping of schemes with the frequent changes in outlays.

PLAN IMPLEMENTATION:

51. The plan implementation is a complex process involving a wide spectrum of administrative machinery and its activities. It makes the analysis of the process of plan implementation far more complicated than other aspects of planning. For the present purpose, however, the factors affecting implementation may be mentioned to focus attention on the link between the plan process and plan implementation.

52. The problem of plan implementation has to be considered in a broad frame encompassing socio-economic, and administrative factors. The study of such a wide canvass is beset with problems of amenability to quantitative or even precise analysis. However, for convenience, the factors affecting plan implementation may be identified in terms of four broad factors: Firstly, there may be a number of intangibles which have intimate relationship with implementation such as interests, inertia, attitudes, organisational frame etc. Secondly, there may be certain essential ingredients of the process of plan preparation itself which enable adequate effective implementation such as participation of organisations policy makers, and resultant commitment to the policy measures. Thirdly, certain developments could be identified as being essentially the result of wrong measures and inadequate action to translate the measures into reality. Fourthly , it is possible to visualise certain important elements which have a direct bearing only on the organisation and functioning of effort to translate measures

into reality through action.

53. The issue of intangibles need not, perhaps be discussed in detail in the present context. Regarding the second aspect the measures that would influence the efficiency of plan formulation in relation to the plan implementation can be summed up as follows:

- a) Active participation of the policy makers in the process of plan elaboration;
- b) Wide participation of various organisations, such as interested Social Groups in this process; and
- c) Wide popular support for the plan.

54. The third aspect relates to devising measures appropriate to the objectives. Thus while the plan objectives might be defined specifically the programmes and projects that are formulated should be properly conceived so that they are capable of fulfilling the objectives themselves. This will have to be safe-guarded through the adoption of a proper planning process. The sub-factors relevant to this aspect would be (a) appropriate determination of targets (b) adequacy of surveys, investigations etc. for projects, (c) the choice of location; (d) the time factor particularly lags as against anticipated time schedules; (e) the estimates of escalation cost (f) degree of certainty of flow of financial and physical outlays available; (g) norms, procedures etc. relevant to enable appropriate measures consistent with objectives such as procedure for introducing social benefits-cost analysis, arrangements for medical care of people vis-a-vis number of hospitals, bed etc.

55. The fourth factor has relevance to organisation and functioning of the Institution to translate designed measures into reality. This is purely an implementation function. However (a) degree of administrative co-ordination; (b) appropriate budget and sanction procedures, (c) personnel policies; (d) relevance of proper purchase, sale and other procedures are some of the factors that have to be watched carefully as essentially administrative factors in the matter of implementation.

56. It is not within the scope of this book to go into the problems of implementation. But, this analysis has been made to show that the gap between formulated plans and realisation of the plans so formulated can be attributed as much to the way in which these are formulated as to the actual process of administrative action to implement the plans. Thus, the inadequacies in process of plan formulation particularly in the context of multilevel plan situation - often tend to appear as ~~gap~~ in implementation. From the description of the plan process given so far, it is evident that the involvement of the elected representatives and administrative organisations at the field level is rather scanty. The process does not also enable adequate participation of either the people or social groups particularly at the State level where the need for such involvement is great.

EVALUATION:

57. The term "Evaluation" is too general and its

connotation depends on the context in which it is used.

Firstly, Evaluation is taken to mean evaluation of a project before decision is taken as to whether the project should be implemented or not. This is generally termed 'ex-ante' evaluation. Secondly, it is considered as an assessment of progress of the on-going schemes and introducing corrective measures which is sometimes called concurrent evaluation.

It is also described as 'internal evaluation', since arrangements for such evaluation are usually built into and made a part of the programme set up. But internal evaluation is different from a simple review of programme and is actually a more analytical and positive process. The third and the most common connotation in the context of plan process in India is restricted to the evaluation of a scheme already implemented with reference to its objective. This is in the nature of "independent assessment", generally by an agency not charged with the responsibility of administering the programme. This is usually termed 'expost' evaluation - and this section is devoted to this aspect only.

58. The objective of expost evaluation is to derive lessons for improvement in the formulation and implementation of programmes. Logically, it would involve assessment of progress, delineation of areas of success or failure, and identification of reasons for success or failure. Thus, evaluation should not be confined to purely administrative aspect but should encompass conceptual and procedural aspect to enable proper assessment of projects. Moreover, broader

aspects of popular response, social and economic impact etc. have to be covered. Above all, there is need for follow-up action since evaluation would be meaningless unless it is able to help improve the quality of the plan.

59. At the National level, the Programme Evaluation Organisation is expected to design and carry out evaluation work. It is also expected to guide the corresponding State level organisations. Most of the evaluation work at the Central level is still restricted to rural situation as hang-over of past association with Community Development. At the State level also a similar situation usually prevails. Firstly, it is said that appropriate techniques of evaluation are yet to be evolved. Most of the reports cover administrative aspects only such as staffing and try to evaluate only the achievement of already-set targets. Secondly, the coverage appears to be inadequate and due to the hang-over of the past, Community Development and Panchayati Raj programmes are taken up for evaluation while larger irrigation and power projects on which huge amounts are spent are seldom evaluated.

60. One of the issues, usually raised, is the extent of co-operation between the Central programme evaluation and the State evaluation organisations. There is informal co-ordination so far. The second issue relates to the position of the evaluation machinery to ensure independent assessment. It should, however, be noted that unless the

implementing agency is involved fully even at the time or in the process of evaluation itself neither would the information be available nor would there be commitment for self improvement. The third issue relates to effective follow-up action. Usually, there is a State level Committee which is expected to ensure effective follow-up action. A suggestion was made that the Evaluation report should be placed before the State Legislature to ensure follow up action. This is sometimes opposed on the ground that the style of evaluation would be stultified since the Executive may not like to 'expose' itself to Legislatures so fully. However, these reports are seldom placed before even Cabinet or Cabinet Sub Committee.

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CHAPTER FIVE :

PLAN PROCESS IN INDIA - AN APPRAISAL.

1. The imperatives of multi-level plan process in Indian situation have already been recognised. A frame work of 'area-levels' and agency levels has been indicated, in the second chapter. Having narrated the mechanics and economic elements of plan process in the succeeding chapters, it is now proposed to present, in this appraisal, a summary and critical view of characteristics of plan-process at various area-levels and in terms of tendencies in the functioning of various agency-levels involved in the plan-process.

2. The appraisal starts with a narrative of characterisation of plan process at each area-level. The process of iteration in terms of mechanics is recalled and the elements of plan process (perspective, medium term and annual) at various area levels summarised. Provision for Popular Participation in the present system of planning is analysed to show how it is extremely limited. The constraints in plan process at each area level are then discussed. Finally the tendencies of various agencies at a given 'area-level' in the process of planning are explained. Inevitably, these would be in the nature of generalisations.

CHARACTERISTICS OF PLANNING AT EACH AREA LEVEL.

3. Apart from union-level, it may be reiterated that state is the only area-level which is built into the

constitution - as a unit of political process, decision-making and planning. Thus the relation between Union and State are not superior-subordinate type, and these are autonomously defined and are uniformly applicable (except special case like Jammu & Kashmir) to all States. Among other 'area-Levels', only district stands out as a significant unit of Planning. However, the relations between States and area-levels below are varying, and powers of these levels are derived from the state level authorities only.

4. The union plans comprise of, for most part, investments in industries, Minerals, transport and communications. In fact between half to two-thirds of central plan allocations are accounted for by these activities. In the energy sector oil is important, while power generation is in the nature of a new thrust into what has been basically a State sector. Even so, the allocation is not significant. The rest of the Central Plans are mostly in the nature of support to State Plan activities such as agriculture, health, urban development, social welfare and education. The direct responsibility of the union level is thus restricted to relatively more organised and identifiable activities like industries, minerals, railways, telecommunications etc. The national Plan, takes cognisance of (and indeed approves) plans of all the

States. In its relationship with states, union can and does influence the financial allocations and programme content. But, more important the union is involved directly, in developmental plans of districts also - through the mechanism of SFDA's, ITDP's etc. Based on this precedent, there is an attempt now to take to 'Block level' planning linking the union with the Block level directly.

5. The State plans account for over half of the public sector outlays. The sectors in which the State Governments plan have great significance to the daily life of a large section of the people. In terms of productive activities, agriculture and allied industries are within the competence of the State Government and they encompass the livelihood of more than 70 percent of the people of the country. Social services such as education, health, sanitation are also under the competence of the State Plans. Thus the programmes and schemes are close to people and their participation becomes inevitable. Further, the type of activities mentioned are mostly in the private sector (such as agriculture and animal husbandry) and as such the connection between the plan instruments and the ultimate output in these sectors is relatively weak. Generally speaking most of the State plans are also promotional in character.

6. Plan function is being predominantly performed by a Department of the Secretariat in most of the States. Planning Boards have been created in some States consisting of some professional experts and the Chief Ministers and select Ministers in their ex-officio capacity. For a long time, the State Governments have been given to preparing schemes for the approval of Centre or blindly adopting schemes suggested by the Centre. It was only since the Fourth Five Year Plan that the State Government had some resources within which they could have discretion and it is in this context that Plan process acquired some meaning at the State level. Consequently efforts at preparation of a perspective plan, strengthening of the State Planning Machinery have all coincided with this development. The un-resolved controversy now relates to the nature of expertise that is needed for State Planning, the extent of political involvement and the degree of autonomy required for the plan unit at the state level.

7. Though mention has been made about village plans, block plans and district plans since the beginning of the era of planning, serious attempts at plan processes were made only the district level. The District was identified for some sort of plan processes because most of the data is available at this level. Administrative infrastructure in terms of functionaries of various developmental departments is available only at the

district level. A district is considered to be large enough to be a viable economy in planning. A local body viz. Zilla Parishad has been brought into existence over most part of the country. There is also certain amount of political cohesion among the people of the district and local leadership is expected to be fairly developed at the district level. District is also considered suitable for ensuring not only local participation but also mobilisation of local resources.

8. While in respect of a State, the relationship between the state and the Centre is autonomously determined by the constitution of India, in the case of a district, the administrative structure as well as the decision making powers and the political authority are determined by the concerned State. As such relationship between the State and the district is not of a uniform pattern all over the country and it is liable to changes from time to time depending on the policies of the authority in power at the State level. In a way, therefore, any planning at district level cuts into the authority vested by the constitution with the State as a constitutional unit. The efforts for planning so far at the district level have resulted, therefore, in supplying information and preparing a list of felt needs. Otherwise it was a summation of schemes already decided upon at State level. The Collector or

Deputy Commissioner who is the most vital agent of the State Government at the district level appears to be performing coordinating function with delegated authority. At the district level, no authority has been specifically charged with the responsibility of formulating plans. The State Government itself or on its behalf, the Collector has some times prepared plan. It has on occasion been done in the Zilla Parishad or the local body. Wardha Plan was prepared with the help of an outside body. Plans have been prepared specifically for drought prone areas, command areas, etc., Credit plans have been formulated by the Lead Banks, which are expected to take into account the normal developmental programmes in the district.

9. Some of the important problems mentioned in the context of the preparation of the district plan relate to the open nature of the economies, the complexity of infrastructure and developmental links, the lack of data, and appropriate expertise and want of clarity regarding methodologies to be adopted. The fact remains that planning at district level strikes at the root of departmental planning and hence the State Departments are not favourable either for erosion of their authority or even for passing on data in their possession. It has been pointed out that many of the district officers are not even aware of the Five Year Plans or Annual Plans of the State. Above all,

when there are no resources earmarked for decision-making or exercising discretion at the district level, there is no demand for such planning.

PROCESS OF ITERATION :

10. The mechanics of plan process show a continuous contact between centre and State level and the final outcome is quite in the nature of a consensus through iterative process. For the formulation of five year plans, the National Development Council provides the broad directions. The Chief Ministers of the States and the Prime Minister and the other important Cabinet Ministers of the Union Government are members of it. This is a forum in which broad policy issues are discussed and national commitment obtained. At the second level, the Chief Minister of the State is involved in discussions with the planning commission. The programme Adviser participates at the level of the Secretary to Government at the State level. In addition the planning Commission is continuously in contact with the Planning Departments of the State. The Working Groups provide a forum in which the Planning unit, the Ministry and the Head of the Executing Department of the State and Central levels meet and thrash out the issues. In addition, the concerned Departments at the State level are continuously in touch with their Central counterparts, primarily to get the sanctions for central sectors and

centrally sponsored schemes. This mechanism thus provides for a continuous inter-action between the central level and the State level to sort out the differences and arrive at a consensus. In this process, it cannot be denied that the individual Heads of Departments or sectors tend to create pressures. These have to be effectively reconciled. The process of reconciliation is through a process of discussion and deliberation.

11. For the annual plans also, the Planning Commission, the Programme Advisers, the Working Parties and the Departmental level officials transact planning work on the same pattern. However, in regard to the annual plan, the discussions are not restricted to the form or the deviations from the Five Year Plan, but encompass a discussion on individual schemes in the working groups. While in implementation there is very little contact, in matters relating to evaluation, the programme evaluation organisation is expected to provide some guidance to the State level evaluation bodies. The whole mechanism makes it clear that the States are treated as junior partners and the relationship between the Central and State levels though not of superior-subordinate relationship. It is yet one of extreme dependence of the State on the Centre.

12. Basically, the relationship of the district and other levels to the State level is one of subordinate

superior nature. The important functionary namely the Collector, may be working under a Commissioner or under a Board of Revenue or directly under the Government. The heads of development departments at district level are for the most part accountable to their respective Heads of Departments at State level. Whatever plan formulation has been done so far was, therefore, in the nature of supplying necessary information to the State Level to organise the plan effort or to take the schematic pattern as given and only finalise the location of schemes already agreed to in principle and provide finances at the State level. In other words, the developmental outlays for the district form part of the State Plan outlays and this is really subject to iterative process of discussion between Centre and State, leaving little initiative or role to the district level. The only direct contact between the district and the Centre is through specialised agencies established for specific purpose such as SFDA etc. In these matters, the district level agency formulates its plans and schemes, while decisions are taken with both the Central and State level participation.

13. Some interesting features of mechanics may be recalled, Firstly, the planning unit including the Secretary, Planning, (or Development Commissioner) plays a crucial role in working out the sectoral outlays in consultation with the Programme Adviser of the Planning Commission.

For the individual schemes, the Head of Department at the State level is the king pin who formulates the schemes for approval. At the political level, it is the Chief Minister and Minister for Planning, who continuously interact with either the Planning Commission or the National Development Council. At the district level, it is seldom that one finds an identifiable planning unit. The Planning function is performed by the Collector himself or by the Zilla Parishad or by a separate Committee, constituted for the purpose. The role of the Collector ranges from administration of law and order to performing developmental functions or in a few cases, carrying out some powers of the State Head of the Department at the district level. Below the district level, there is no planning organisation worth mentioning.

PERSPECTIVE PLANS :

14. Perspective plans are prepared at the national level. At the State level such plans are relatively a recent phenomena. At the national level itself, there is no broad spatial analysis or spatial frame on which the perspective is built. The perspective plan is not also regionalised showing the State component. Sectoral perspectives are often attempted by national ministries but these are seldom linked with the total national perspective of the Planning Commission. One of the issues in this regard

is as to whether perspective planning exercises should be done by the Centre or they should be worked out by the States concerned to be integrated at the Central level. In the meantime, the State Governments have on their own, made a beginning in preparing their perspective plans. These plans are prepared on different methodologies and on different assumptions leading to substantial diversity. Diversity may not by itself be undesirable unless it is at the cost of handling and integrating the plans at the national level. With no data on inter-regional trade, much of the inter-industry analysis had to fallback upon some notional assumptions in workingout material balances. The issues of common spatial framework and tools of mechanism of integration are yet to be resolved.

15. There have been some attempts at preparation of a perspective plan at the district level. Perspective for the district suffers from the problems of paucity of data and also the greater difficulty faced in making projections for a micro unit like a district for a long stretch of 15 years or so. Further fundamental structural changes in the economy are being attempted and these are better perceived and even planned in a long term situation only if a frame for a largeer area is available. The tendency in a way has been to go into much unnecessary detail in the perspective plan for district as to make it unrealistic.

MEDIUM TERM PLANS :

16. The medium term plans are prepared at the nation and State level systematically, while at the district level there have been only abortive attempts so far. At the All India level, there are fairly well worked out national accounts, special task forces are constituted, and depth studies made. Credit monetory, import and export implications are indicated. Estimation of resources both-domestic and foreign - are made. Aggregative exercises through financial and material balances are done. However, the Central Plans are restricted to a few organised sectors. Funding, sector or sub-sector wise, through banking and financial institutions (except a few supported through Central Budget such as ARDC., IDBI, etc) is seldom worked out co-terminus with a medium term plan through resources flowing from these agencies are enormous. At the State level, naturally a total view of the picture is seldom possible. Special studies on State accounts, sectoral perspective or special surveys are not taken up. However, an approach paper for Fifth Plan was prepared for many States indicating a broad approach. Estimation of resources is usually restricted to resource mobilisation for implementing a State Plan. Even here, the uncertainties of Central assistance and permissible market borrowings had to be taken of. At the district level a few exercises have been done for

preparation of medium term plans, but these have neither been comprehensive nor continuous. However, where it has been undertaken, it has taken the shape of either listing out the schemes or making very elaborate maps and resource analysis without going into further details. In other words, the systematic economic survey, analysis and estimation of resources has not been undertaken at the district level.

17. The objectives of the medium term plan are necessarily very broad, and differing emphasis on different objectives is observed in different medium term plans. Thus, the emphasis on employment, self-sufficiency, reduction of inequalities, growth, etc vary but these broad objectives have always been set out as of basic importance for the nation as a whole. At the State level, the objectives are a little more specific. The major objective whether said or unsaid, for almost all the States has been to invest in irrigation and power sectors to provide economic infrastructure for the growth of the State. The allocation for other sectors depended on the scope they had to earn central assistance and the political judgement regarding the special circumstances of the State. The objectives at the district level have been defined only on an adhoc basis since the plans themselves were prepared on an adhoc basis for the district level.

18. An aggregate view of the resources is taken at the Central level but disaggregation in terms of public sector financing institutions is not common. The Centre has relatively more elastic sources of revenue. The power to resort to deficit financing endows the Central level with enormous fiscal resilience. At the State level, the resources available for plan outlays are relatively inelastic. When a State Government (Tamil Nadu) was criticised at one time for indulging in over-drafts they replied that it had to do it since it was not empowered to deficit financing and was morally in no way more culpable than the Central level. A similar mention of the situation was very recently made by another State (Finance Minister of West Bengal). In fact, even after successive Finance Commissions' awards granting devolution of finances to the States, the State Governments are not able to maintain the capital assets and services already created. In their eagerness to show plan investments there has been a relative neglect of normal maintenance on the ground of economy only to provide for higher plan outlays. In the credit sector, the State Governments have to only pressurise the credit institutions through official and political channels to make substantial advances. One of the issues raised is whether it is not possible to organise, more effectively, on a regional basis, the Cooperative Banks and Commercial Banks managed by the State Governments rather than the National-

ised Banks which are under the Central Government. At the District level the local bodies have very few powers and these are insufficient even to maintain assets and provide services. The district level has to depend heavily on the State level for resources and as an invariable general practice the approval of schemes goes with the release of resources.

19. Alternative strategies of development and sectoral outlays are discussed at the national level and a consensus is arrived at on the basis of the studies made. At the State level, a similar process is adopted but with little information base. However more intimate knowledge of the States' economy in the possession of various functionaries involved in the plan process will no doubt be an asset. The target setting is done for individual projects at National level, on the basis of Detailed Project reports. At the level of the State, target setting is generally on the basis of co-efficients suggested by the National level itself except for major projects in respect of which it is based on analysis of individual project. At the District level the targets are generally set by the State Government itself. Usually the State Governments disaggregate the sectoral targets district-wise.

ANNUAL PLANS :

20. At the national end, the review function is quite

compartmentalised in terms of various Ministries though the Monitoring and review unit of Planning Commission tries to keep track of pace of implementation. Review of Central Plan programmes is relatively more efficient partly because of nature of projects. In a State the Annual Plan review is done monthly, quarterly and annually at all levels. A close review of the major projects is usually made at all levels of the Government. The work of most of the public enterprises is outside the effective review of the Government. Most of the major projects are beyond the purview of the district administration and its implementation is seldom monitored at the district level. By its very nature, the annual plan has to be operationally relevant and specifics have to be gone into. It is found that the guidelines issued by the Planning Commission to the States are generally too broad while every aspect is looked into by the working groups in terms of individual schemes. Sectoral allocations are recommended by the individual working groups and these are pruned and adjusted to tally with the total outlay purely on the basis of the judgement of the Programme Adviser in consultation with the Secretary, Planning of the concerned State. A selective approach of concentrating on more important items of the annual plan is sometime suggested in the dialogue between the Centre and States. As between the States and the Districts there is no system of either issuing guidelines or discussion.

21. There is a tendency to filling the sectoral outlay on the standard schemes rather than working out the schemes in the context of Five Year Plan or a strategy. There is a criticism that too many projects are simultaneously taken up. The pattern of schemes suggested by the Centre is invariably accepted as a matter of expediency. The budget at both central and State levels is often not comprehensive owing to the exclusion of outlays on public enterprise. Moreover the base level data in regard to a number of developmental instruments such as the extension machinery is also not adequately presented. The plan outlays and the developmental outlays are not co-terminus. Neither does the capital outlay represent either the plan or developmental outlay. There is no developmental budget as such at the district level. On evaluation, both the Central and State levels are evincing interest in regulating the coverage and the tools of analysis. At the District level there is no evaluation machinery at all.

POPULAR PARTICIPATION :

22. One of the important elements in the plan process is the imperativeness of popular participation. The Five Year plans do generate substantial debate and discussion at the national level. The general approach and modus operandi are often discussed particularly among the professional

circles, in sufficient detail. In terms of people's representatives, however, only the Cabinet and more particularly, the Prime Minister and select Ministers only are involved through the National Development Council, the Planning Commission and finally in the Cabinet at the time of journal approval. The plan so approved is presented to the parliament and in accordance with the conventions of the Party-system and Parliamentary practices, it is invariably accepted. Thus, the broad patterns of development are determined through a process of consensus particularly at the higher political level rather than through discussion among the elected representatives. A similar procedure is applicable to annual plan except that it is subjected to detailed discussion when it gets operationally converted into an annual budget. The net result, however, is that the Plan and budget presented by the executive are invariably accepted in other words, there is seldom an opportunity for the elected representatives to get intimately involved in the planning process at different stages. The Consultative Committees of Parliament constituted for different Ministries provide some forum for informal discussions on the different sectors while the Estimates Committee and the Public Accounts Committee provide a system of ex post analysis of some aspects of development. Basically the situation at the State level is in no way different and the political pressures which are invariably built up are exercised only through informal

channels. It makes the situation worse because schemes are canvassed for inclusion instead of their being presented as technical alternatives or in the context of a total frame indicating alternatives. There is, no doubt, much scope for popular participation at the district level but as has been explained, there is little of planning process of the district level. The Zilla Parishad and the Panchayat Samithis do, provide a forum but they have little scope for decision making. Only Maharashtra, has introduced the system of DCCs, which had provided some forum for formulation of schemes to be forwarded to State Government for consideration. There is representation for non-officials on these committees. It is increasingly felt that the rational of the individual schemes, and the nature of their benefits are now a close preserve of the bureaucratic channels as far as the plan processes are concerned.

CONSTRAINTS ON PLAN PROCESS :

23. The Plan process at the State level has a number of constraints. Monetary policy, credit, import and export policies, industrial licensing etc., are all with the Central Government. The flow of funds from the financial institutions particularly the banking sector has a crucial role in the developmental process. Not only the policies but also the management of these financial institutions are controlled and determined by the Union Government. Advances through

the cooperative structure are also subject to reimbursement by the subsidiaries of Reserve Bank of India which are controlled by the Union Government. The State plan itself depends on the Central assistance and permissible market borrowings. The level of market borrowings, the purpose for which the borrowings are made are also subject to the approval of the Union Govt. In other words, the State plan accounts for only a part of the total investable funds that flow to the development of sectors which are exclusively the responsibility of the States. Even the size of the State Plan till recently depended on "the wish" of the Central Government expressed through various control measures. However, at the time of the formulation of the Fourth Plan, Gadgil's formula was adopted which indicated the total amount of Central assistance for each State for the plan period on some objective criteria. Even so, constraints are imposed through a process of earmarking of funds for sectors and select larger projects. A shortfall in expenditure in earmarked schemes does cut (through some way is found to relieve the cut) assistance. Advance Plan assistance, adhoc assistance, additionality for externally aided projects also distort the formula (see Annexure I)

24. Further, the Union Government has been ensuring flow of resources to the State sectors directly under a number of special programmes. Firstly, there are what

are known as centrally sponsored schemes, secondly, there are central sector schemes and thirdly there are adhoc or special accommodation programmes. This has resulted in certain over-lapping of functions and direct dealing with district level agencies. Moreover it has developed a tendency to go into details and specifics of a micro nature.

25. The Union Government decides on the size of the plan depending upon the Godgil formula which meant that the total "base" of the economy of the State is not fully taken into account. (For details of Godgil Formula see Annexure I). This problem becomes more striking at the time of the analysis of sectoral plans, most of which are discussed at the Central level and approved without adequate attention to the "non-plan base" that might have existed. (Non-Plan base means the social and economic infrastructure already available or created during the preceding plans). The sixth Finance Commission tried to tackle the problem by taking into account levels of social development and administrative infrastructure for law and order in determining the devolution of finances but this has not mitigated the basic problem. The process of plan formulation at the State level therefore depends so much on keeping the Central level satisfied that the Centrally Government departments have developed a tendency to directly deal with State Departments and create pressure

groups for individual activities or individual sectors.

26. At the district level the constraints within which Planning is undertaken are more serious. The staff involved in the developmental process itself are usually employed by the State Government since there is no separate Government at the district level. There are elected bodies (Zilla Parishad) but their resources are meagre and their control is generally restricted to very few activities. The district body shares powers with the two lower levels viz. Block or Samithi and village. A total view of either the resources available or the activities that are relevant has not been attempted. Investment decisions are, therefore taken directly either by the Central or the State Government. There is therefore an air of unreality in the preparation of any district plan since there is neither administrative nor financial powers at the District level. Further there are certain contradictions in certain basic decisions emanating from higher levels which are beyond the purview of local control. For instance an essential requisite in the district planning exercise is the growth centreing approach. The district level authorities have no option except to accept the norms prescribed for getting the approval and accordingly locate certain social services like education, health, facilities etc. Thus, even if growth centres are identified, location of

activities will have to follow the prescribed norms, and the two may not match.

27. A number of semi independent agencies called DPAP, SFDA, ITDP have emerged recently. These agencies involve the Central Government, the State Governments and local administrations apart from local people. However, each one of these agencies demand the area plan as per the guidelines given for specific purpose. It is a problem for the local level planning authority to prepare an area plan for specific purpose within a large segment of the normal plan activity pre-determined at the State level.

28. In the whole scheme there is reluctance at the State level to delegate powers and responsibilities to the district level because of the apprehension that it would lead to the erosion of the authority of the political leadership at the State level on the one hand and of the executive heads of departments who will have to shed some of their powers on the other. However, it is argued that, under the existing arrangements the State Government is answerable to the Union Government to have their plans approved and there are so many constraints in terms of imposed minimum Central allocations and spillover commitments that the State level authority cannot afford to make its task of planning more complex by delegating

decision making to the district level and incorporating the results of these disaggregated decisions into plan at the State level.

AGENCIES AND PROCESS :

29. The Plan process has been viewed in the context of various area levels, but such a situation had implicitly described the various agencies involved at each level and their inter-relationships with the other corresponding agencies at other area levels. It would be necessary to describe more specifically the plan process in terms of agency levels to comprehend the process of interaction. For convenience, interaction of agencies at State level, and to some extent, at district level, is described here though basic features would be common to Union level also. The State Government consists of broadly the Legislature, the Cabinet, the Planning Department or Board, the Ministers or the Secretariat Departments and the Heads of Departments. The whole system is described as the Government. But it is not realistic to consider that all these organs operate and view the plan process in a unified fashion .

30. In the public sector, a number of autonomous or semi-autonomous bodies have been created. There has lately been an increasing trend in this direction even at the State level. Examples are Development Corporations, for Minerals,

Small Industries, Leather Industries, Large Industries; Welfare of Backward Classes, Scheduled Castes and Scheduled Tribes and for women separately, Irrigation Development Corporations, Tourist Development Corporation, Forest Development Corporations, Seed Corporations, Dairy Development Corporations, Ware-housing Corporations, Civil Supplies Corporations, Market Committees, Trading Corporations etc., Implicitly the plan process has not been able to bring in the activities of these semi-autonomous bodies into its fold for planning and accountability to the legislature. There are in addition autonomous co-operative bodies playing a crucial role. Substantial funding from the Government for the cooperative sector is inevitable. The annual flow of the total invisible funds of the Co-operative Sector is almost equal to the total plan budget of the concerned States. The State Government has only nominal control over these institutions since they are by definition autonomous voluntary bodies.

31. There are also a number of financial and developmental institutions operating at the State level but most of these are branches of the Union Government. The examples are the Commercial Banks, IDBI etc. Any comprehensive planning at the State level has to take stock of the activities of all these institutions operating with their own objectives and interests, their inter-relation-

ships at the State level and interactions with the higher levels (Central level) and the lower levels (District levels). These organisations are also no differentiated clearly in terms of their functional responsibilities, the sectors of development to be dealt with or the target groups to be covered. They over-lap largely, as for example the Dairy Corporation developing dairying while the Scheduled Caste Corporation aims at financing all the productive activities for the benefit of Scheduled Castes including dairying.

32. Some broad generalisations may be made about the tendencies of important institutions involved in the plan process. The Legislature as a body discusses the plan almost in the final shape and has, in reality, little option except to accept or reject it. The party system makes the plan go through in the Legislature, though the same party system makes the legislators operate informally through the cabinet and the various bureaucratic agencies in favour of their policies, interests or projects. The Cabinet will generally be interested in raising a large volume of resources for investments while at the same time would be reluctant to impose burdens on the community to mobilise such resources. Every member of the Cabinet would be eager to expand the outlays for the sectors under his charge and project his requirements as cogently

as he can while the Chief Minister as the Head of the Cabinet will have to steer clear of these pressures and finally reconcile the various interests and arbitrate if need be. The Chief Minister, or the Cabinet concentrate on indicative outlines and allocations for important projects. In the context of complex agencies and conflicting interests, the need for a single personality like the Chief Minister to arbitrate and finalise plan proposals is actually felt-needed.

33. The Finance Department plays an important role in this process at the Operational level. The Finance Department has a chronic tendency to under-estimate the resources and over-estimate the expenditure to bring about a corrective to anticipated pressures. A number of measures are devised for post-budget scrutiny and withholding of payments. These devices are considered necessary to ensure that the cash inflow matches the cash outflow. Often, the problem of overdraft is faced by the State Governments and the severity of this problem is sought to be mitigated by temporarily withholding payments. Moreover, certain manoeuvrability in allocations is maintained to provide for difference in the rate at which expenditure is incurred by different departments over the year. Further, the Finance Department, is generally wary to accept high level of recurring commitments for creation of services or staff. The Finance Department prefers investment in

those sectors or schemes which will "attract investments from the central government. The tendency to establish autonomous bodies such as public enterprises and promotional Corporations is resisted since financial control would be difficult. Finally, even in presenting the committed expenditure, (projection of resources and expenditure of these resources to the Finance Commission which periodically determines the principles of financial devolution to the States) the general tendency in each State Government is to make convenient projections so that the outcome may be in its favour. It is not uncommon that such convenient projections end up in undependable and unrealistic situations on the one hand and inconsistencies over a period in the financial information system on the other.

34. Planning Department is another important unit in the plan process. Apart from the total view of priorities etc., the Planning Department will have to take cognisance of the pace of expenditure of each Department before making allocations. There is a tendency to allot more to a Department which is able to fully utilise the funds made available to it. Further the allocations made in a year take into account the level of expenditure in the preceding year since there are organisational and institutional bottlenecks in the use of funds for expansion of its activities.

There is also a general resistance to the creation of autonomous bodies since it vitiates the control function of the planning Department in finalising the programmes in conformity with the total strategies. Similarly, there is reluctance to accept recurring expenditure. While the recurring commitment at the end of the plan period would form part of non-plan expenditure, such recurring component within the plan period forms part of the plan outlay. Thus growth in the recurring commitments in the initial stages of the Five Year Plan curtails scope for the planning Departments to encourage and approve new projects in the middle of the plan period. Without resources being available for realignment, the Planning Department loses its flair and capacity to plan. Further, the spill-over commitments impose an additional constraint on the manoeuvrability of priorities. As such the Planning Department avoids spill over commitments as far as possible. While, on the one hand, the Planning Department will have to resist pressures for augmented outlays mounted by each Head of Department at the State level, on the other it will have to accede to the demands for allocations in certain sectors to earn contingent central assistance and provide for recurring commitments made during the Five Year Plan period to cope with the spill-over commitments etc. In addition if the numerous autonomous bodies created are also taken into account and

allocations made for them without circumspection, the manoeuvrability of Planning Department in respect of the plan outlays is evidently severely restricted in the short run.

35. The Head of Departments have a continuously crucial role in the process of plan formulation and its implementation. The projects have to be identified and technical-economic data made available to all agencies by the concerned Head of Departments only. There is tendency in each head of department to increase the outlays for his department. Unrealistic estimates of costs and benefits are often presented accordingly. To add to this, some norms are fixed by the Ministry of or Central level in a somewhat unrealistic manner which make the head of Department to deliberately present an unrealistic picture to match the unrealistic norms. Being closely associated with the implementation aspect, he has to cope with the problem of political patronage in terms of areas in a District as well as other interests. He would like to expand the outlays and accordingly project the costs and benefits. It is also in the interest of building up his image to secure as much future commitments as possible by taking up a large number of substantial projects. With this plurality of considerations not only are the costs under-estimated and a number of projects taken up, but a part of the project is projected as complete and later

some more aspects are added on as inevitable. There is always pressure for taking up as many schemes as possible to involve a high level of recurring expenditure. Since the succeeding year's allocation will depend on the performance of expenditure in the current year and since finances are often withheld for cash flow management or delayed for subsequent scrutiny, large expenditure is invariably booked in the last quarter of the year. As part of this process, outlays on different schemes are adjusted and amounts are reappropriated to transfer funds to autonomous bodies in his charge since in that case the amount does not lapse as in the usual governmental budgetary system. In this whole process the Head of Department works in close collaboration with his counter part at the Union level so that he derives necessary strength and support for his view of priorities in the Central Working Groups. Further, influence over the Legislators and control over District agencies is consistently sought after and built up by the Head of Departments by virtue of his crucial role in the submission of project-proposals, obtaining sanction for the projects and suggesting locations of the projects.

36. The Heads of the Department would also like to increase their manoeuvrability and would even like to go beyond the purview of planning and finance so that the decision making powers are vested as much as possible in them. This tendency sometimes leads to the creation of

autonomous bodies or public enterprises. These bodies invariably have fairly deep involvement with the Heads of Departments and the Ministries concerned, but would generally be outside the purview of routine control of finance and project scrutiny by planning as well as annual legislative control. The increasing number of autonomous bodies that have been created get the budgetary allocations from the Government in a lumpsum as share capital, but the individual projects as well as their activities are outside the budgetary control of the State Government. These are usually created not only on grounds of the need for semi-autonomous decision making for their activities but also on the ground that such agencies would be able to attract institutional finance. In practice however, not many of these Corporations have succeeded in directing the institutional finance as originally projected. Usually, the autonomous bodies are created wherever certain amount of revenues is expected over and above the likely expenditure, but invariably it would cut into what otherwise would have been part of total resources position of the State Government.

37. At the District level, the problem is far more complex in the sense that there are a variety of institutions having a superior-subordinate relationship

with the State level. The District administration usually consists of officers under the control of the State Government and each individual departmental officer is accountable to the head of department concerned at the State level. The resources intended to be at their disposal and even the projects have to be finalised by the Head of Department. Secondly, the Zilla Parishad has certain identified responsibilities and sources of revenue. Those bodies, however, have very narrow functional scope and their resources are so meagre that they can only undertake some minor functions. Any financing of developmental works by the Zilla Parishad's depends on the State level. Here again the Zilla Parishads have a tendency to create enormous spill-over commitments by taking upon themselves large number of projects and also creating recurring commitments. By this process, they hope to obtain a larger share of flow of resources from State level. In fact Zilla Parishad in its turn has to share the powers of the Local-Self Government system with Panchayat Samitis and village Panchayats over which it has no direct control. The various public enterprises and autonomous bodies established by the State Government will have their offices at the district level but they are accountable only to their head office which is semi-autonomous. Thus, even a Government co-ordinating agent like the Collector has little or no formal control over these autonomous bodies. The

trend of multiplying these autonomous bodies has indirectly resulted in narrowing down the scope for co-ordination of the whole system by the Collector himself or for that matter by the Zilla Parishad even if the departmental co-ordination function was brought under the Zilla Parishad. Special agencies have no doubt been created for specific purposes like ITDP, SFDA which are basically at the District level. But these are catalytic agents that use the existing infrastructure without creating parallel administrative organs. The effectiveness of the co-operative set up at the District level would depend on its 'equation' with its State level organisations - be it for short or medium term co-operative credit or for long term credit made available by agricultural development banks. Autonomous bodies like market committees also are in the nature of co-operatives.

38. The Plan process will have to take into account not only the conflicting interests of these agencies and their different sets of relationships with higher and lower area levels, but also the serious uncertainties inherent in the total system. More important exigencies like ordering of elections can distort the relative priorities and even the resources position since in matters of political paramountcy there is little that professional planners can do.

SUMMING UP.

39. The national-level plan exercises are basically in the nature of aggregative exercises. These can be worked out by a few highly skilled planners - with the assistance of computers. Detailed planning including projects - at the central level are restricted to larger projects in the organised sector - such as industries, mines, ports and telecommunications. The link between aggregate exercise, sectoral plans and project appraisal appears very weak. Investment exercises are mostly confined to government sector, and a large segment of public sector (commercial Banking, Insurance etc.) is not subjected to the discipline of formulation of plans co-terminus (at least over time) with that of government plans. Sectoral perspectives prepared by some Ministries are not linked with national perspective, and in any case, national perspective does not contain spatial analysis. National perspective is not regionalised in terms of States. The Central Plan contains investment - support for specific programmes in the State and even, district sector. In terms of individual projects, the problems of over-estimating benefits, under-estimating costs, bunching of projects to create commitments for future, and taking up part-projects to create pressure for supplemental investments are as acute as at any other level of planning. Finally, while constant efforts are made

to suggest standardised schemes impose central sector/sponsored schemes, and render advise on even schemewise allocations, no serious attempt has been made to systematically develop procedures and methodologies for better planning at state level.

40. At the state level, the state segment of national perspective is not available. The plan-skills needed for planning at state level are at least as complex as those that are required for aggregative exercises. In fact, a lot more, at least in terms of numbers, would be needed to plan for a variety of sectors and situations. These are hard to obtain since in the economists' profession, these skills are neither fashionable nor paying. The nature of sectors and programmes are less amenable to standard project appraisal techniques - and most of them are spreadout geographically. Further, a variety of institutions are involved in the process (particularly funding), and these are subjected to union level control with multiple sources of funding for individual schemes or projects, multiple criteria have to be satisfied simultaneously, and pressure for project optimisation without a total view may assert itself. In many cases, particularly in agricultures functional specialists as part of project, are super-imposed over a general area set up. In the field of social services and extension, the "non-plan base" is

enormous (even ten to twenty times the plan - activities proposed in a five year period) and this is often ignored. Since most activities are intimately and directly linked with welfare of people, the popular pressures are great - needing greater attention to rationalisation process. At the same time, the defects in performance are focussed since people are intimately involved. Efforts to decentralise plan-process from state level are constrained by the need to get the state plans (in toto) approved by the Union level. In brief, the State Plans attract over-critical Comments have to be based on "a very partial view" of resources; built upon uncertainties; and demand a level of planning skills normally difficult to obtain. Finally, in terms of institutional development for planning, Planning Boards have been suggested. Their role vis-a-vis State governments, political participation and relationship with Planning Commission is not yet clear.

41. At the levels below the state there is little institutional development for undertaking planning. Further, neither a frame-work for planning or methodologies for such planning have been developed; Decision-making powers backed by resources are yet to be devolved. Attempts made so far have resulted in accumulation of enormous data - largely unused and substantially unusable. It resulted in listing of felt needs also. Sometimes, it ended up in

compilation of schemes funded (and decided) by State level, relevant to the district. However, even these restricted exercises were revealing the complexities of plan process at levels below the State.

42. There are multiple-agencies involved in planning but there are lot more which are left out of formal planning process but are public institutions whose activities contribute to developmental process. There is a complex mechanism of interaction among these agencies, but meaningful information flow and effective popular participation are conspicuous by their absence.

CHAPTER SIX:

ROLLING PLANS AND MULTILEVEL PLANNING

In September 1977 an announcement was made that some changes are being made in plan process in India. The Planning Commission was of the view that "some changes are needed in the Planning Process, to avoid unrealistic target fixation, introduce greater flexibility, permit timely corrections for unforeseen external events and improve investment decisions in the long gestation sectors. This is sought to be achieved "by the methodology of "rolling plans" for plan preparation. It would, therefore, be appropriate to analyse the implications of such a rolling plans approach to multilevel plan process. The concept of rolling plan; the feature of changes in the Planning system proposed recently for the country; and the implications of such a method with special reference to multilevel system are proposed to be analysed in this chapter.

CONCEPT OF ROLLING PLANS:

"In rolling plan, the plan is revised at the end of each year and, as the first year of the plan is dropped, estimates, targets and projects for another year are added to the last year" (Albert Waterston, 1965). To start with therefore, there is a medium term plan (of say four or five years). At the end of every year, this plan is renewed, and the number of years covered by a medium term plan would thus

be the same, as the plan rolls forward in time. No doubt, there is nothing very scrosent about one year (though it is perhaps most convenient and operationally linked with usual annual budgets) and there are advocates of rolling more frequently or less frequently than one year.

3. The raison-de-etre of rolling plan approach is the need for a deep and careful rethinking and appropriate revision of the whole plan each year. This would, naturally, imply a process of setting targets for every additional year. Thus, the mere mechanical extension of a medium term plan is not a rolling plan. Indeed, constant review and revision are essential in all plans; but in rolling plan, a procedure for review and revision is built into the system of medium-term plan.

PROPOSED CHANGES:

4. The proposed changes in the Planning process in India have three main components. Firstly, the Fifth Five Year Plan is proposed to be prematurely terminated at the end of current financial year (1977-78) and it is proposed to initiate a new medium term investment plan starting from 1978-79. Secondly, the system of medium term investment planning is proposed to be refined. The main component of such a refinement is the concept of 'rolling plan'. Thirdly, the process of formulation of State Plans is to be reviewed to achieve greater decentralisation in the planning and

development programmes in agriculture and the social services. Area planning approach is the main component of this new approach.

NEW MEDIUM TERM PLAN:

5. The proposal to terminate the Fifth Five Year Plan is prematurely necessitated by the need to prepare a new development plan on the basis of reformulated objectives (by the Janta Party which formed the Government at the national level replacing the Congress Party). The new planning strategy which has provoked this proposal, is said to imply four important components. Firstly, substantial shifts in the inter-sector allocation of investments - particularly in favour of agriculture, irrigation and Power are suggested. Secondly, additional allocation of resources are suggested for expanding the public distribution system including provision of additional resources for the building up of buffer stocks of commodities other than foodgrains also. Thirdly, larger allocation of resources are proposed for maintenance, replacement and modernisation of works, specially for roads, irrigation and power works. Fourthly, in the health and education sectors, there has to be a shift in the coverage of services from expansion in urban to rural areas. Further, a similar shift from higher education to elementary, vocational and nonformal education is proposed. To comment,

in brief, the election manifesto of the ruling party is sought to be implemented, and, it is, no wonder that it is best done through a "new plan" - as such for reasons of "mechanics" as that of popular appeal. However, this does not have any serious implications on the plan process.

PROPOSED "ROLLING PLANS"

6. The proposed refinement of the system of medium term investment planning, (viz rolling plans), on the contrary, has serious implications on the plan process. These changes in the planning process were worked out after closely examining the past experience, which has shown a number of shortcomings. It may be useful to recall these shortcomings - substantive, methodological and processual which are said to have necessitate the new system. Firstly, successive plans had assumed higher rates of growth, savings and investment in real terms than was warranted by objective considerations. This had led to not only largely shortfalls in achievements but also loss of credibility in the planning process. Further, year to year fluctuations in agricultural output were not adequately provided for. Secondly, the methodology of such a medium term plan involved plans based on models which provided for theoretical inter-sectoral consistency for the terminal year of a five year period. The likely imbalances that might arise from year to year within the period were not studied. Further, towards the later part of the plan period, in the

fixed five year plan, the time horizon is too short for investment decisions in many sectors. Thirdly, the planning process provided for one mid-term appraisal only and there was no machinery for adjustment of the plans to unforeseen external events. Thus, if demand and supply in one sector did not develop according to anticipation, the necessary changes were not made adequately or in time. Similarly, the disruption of the plans due to inflationary crises in the past resulted in unplanned cuts in developmental outlay resulting in distortion of plan priorities.

7. In addition to a decision to determine the size of future medium terms investment plans on the basis of the "real savings capacity" of the economy, the Planning Commission proposes to refine the system of medium terms investment planning in a number of ways. Firstly, a new 10 to 15 year perspective will be prepared taking demographic factors into account. The focus is on planning of land-use, water resources, oil and mineral development and manpower. This perspective will also provide the framework for investment decisions on long-gestation projects. Secondly, a medium term plan for five year will be prepared, but, year by year targets will be set for aggregate savings and investment as well as sectoral outlays and output in respect of major sectors. Thirdly, the horizon of such a medium term five year plan will be extended by working out the

targets for one additional year at the end of each year.

This constitutes the rolling plan element in the proposed changes. This system is attributed with "the technical advantages of projections from a base level which is adjusted annually, continuous corrections of errors, and a constant time horizon for investment decisions."

8. . Thus, in the proposed system, the perspective planning is not abandoned at all. Regarding the medium term plan the modifications proposed, as per the Planning Commission would not mean the replacement of the discipline of a five year framework by "adhoc annual decision making". Further, periodic stock-taking of achievements and failures and periodic views of sectoral policies "could conveniently be undertaken once every five years as now, although the system would permit of assessment and review at any time". Moreover, the present five year plan governing the devolution of finances from centre to states would be retained to enable the centre and States to do their resource-planning. (The existing constitutional framework provides for a periodic reallocation-not less than once in five years). Finally, the Godgil formula for allocation of the central plan assistance to the states (which was due for review at the end of the Fifth Five Year Plan) will also "continue until a review can be undertaken".

9. Within this framework, the year-to-year tasks prescribed

by the Planning Commission may be traced. As stated earlier, year to year targets will be set for aggregate savings and investment as well as sectoral outlays and output for major sectors. However, it is explained that, under a rolling-plan, objectives and strategies would not be open to annual review". Thus, "only a minority of targets will be adjusted at the time of annual review, and that is only if such adjustment is warranted by unforeseen developments or where it is clearly established that a particular target longer achievable". Finally, a stricter review and monitoring of progress with reference to "annual targets set out for five years at any time" is indicated. This is expected to ensure the continuous commitment of the central and State governments to the mobilisation of resources for development.

IMPLICATION OF ROLLING-PLAN APPROACH:

10. Very generally, it may be stated, that revising and extending a five-year plan, on a year-to-year basis requires a high level of comprehension, organisation and sensitivity to changes within a narrowly fixed time-frames on the part of the planning offices. Secondly, it is held that, in rolling plan system, the general public and business enterprises become uncertain about plan-goals and purposes resulting in uncertain of public response to plans. Thirdly, the rolling plan approach appears to be more relevant to a programme oriented situations than to situations involving broader

developmental problems. Infact, the 'rolling' system originated in budgeting procedures of business firms and in municipal governments. Thus, the Ford Motor Company in the USA, the Philips Company in the Netherlands, the City of Amersfoort in the Netherlands had adopted this approach. Finally, from the past experience, it can be stated that "rolling plans have proved to be too difficult for most less developed countries to manage. A simpler way of bringing a medium term plan upto date is the annual plan when it is used as a device for making a medium term plan operational", (Albert Waterston P 1965). But, it cannot be denied that, technically speaking, the adjustments in plans to exigencies of circumstances, could be very much more timely, than in fixed term plan.

11. Further, in the context in which the rolling-plan approach has been suggested in India, fears have been expressed about its efficiency on a number of counts. Firstly, the change in the form of planning in favour of rolling-plan was interpreted as one intended to erode the substance of planning. Fears were expressed that the commitment to and discipline a planning are being diluted. In reply, there is an assurance from all concerned, particularly the Prime Minister himself who explained, in the first meeting of the consultative committee of Parliament that the new system means "more" intensive and detailed planning" "as well as " more realistic and effective plans". Secondly, it was argued that the rolling

plan targets will remain nominal (since they are liable to changes annually) and the drive to achieve them diluted. This process will provide an opportunity and respectability to short-term, soft and compromising options of political executive on the one hand and to bureaucratic manipulations of performance targets to conceal shortfalls in achievement on the other. On this account also, the Planning Commission made it clear that there would be "periodic assessment", and the five year framework will not be replaced by "adhoc annual decision making". Thirdly, this system makes a heavy demand or data in terms of its comprehensiveness, frequency, and timeliness. In addition, the administrative and planning machinery should be able to handle this complex process in a short-time span. Indeed, this process tantamounts to a five year plan exercise every year and in any case should involve very efficient monitoring, capacity to work out short-term forecasting and willingness to respond to the above with timely decisions.

12. In the context of multilevel plan process, the proposed changes in plan process does involve the two crucial levels viz centre and States. However, a greater decentralisation is proposed and additional tiers at district and block levels in the field of agriculture and social services is also indicated. (For detailed discussion on this element see the last section of this chapter). In any case, neither the State Governments were consulted nor was this subject of

changes in process in favour of rolling-plans discussed in the National Development Council. In other words, the States which account for about of half of the public sectors plan outlay had no in this section decision.

13. Secondly, if the present five year span governing the devolution of finances from centre to States is continued, the rolling plans would have "rollover" without any appreciation of resource-possibilities at the level of States. Based on the agreed devolution of finances, a fresh exercise once-in-every five year would thus become inevitable in addition to end in supercession of roll-over plans prepared already.

14. Thirdly, the Godgil formula is expected to continue in operation, "until a review is undertaken." Thus, there is already an inkling of uncertainties as to "when" the new formula would come into operation and the formula also could be "rolled over". The recent trends observed in improving the initiative and plan capabilities at the state level consequent upon Godgil formula might get reversed.

15. Fourthly, periodic reviews one still suggested every five years-although the system would permit it at any time. Moreover, it is clarified that "objectives and strategies would not be open to review" annually, and only a minority of targets adjusted" annually. Implicitly, there would have to be a somewhat fixed five year plan frame also. It is not yet clear as to what exactly will be done at the annual exercises. However, it is conceded on all accounts that, if the justification of 'rolling-plan' is to introduce necessary changes at

the annual plan stage workingout simultaneously a five year frame, it would involve a greater application of mind based on more up-to-date information.

16. It would be useful to examine the possibility of such an exercise in the multi level plan process in the light of the experience gained so far. From a review of the plan process in India, it was noted that much of the exercise on objectives, strategies and broad parameters of development were undertaken only in the context of a five year plan. This necessarily happened over a fairly long period as a process of substantial inter-action between the various agencies involved in planning at the state and central levels. For levels below the states, there was some attempt to undertake planning at the time of the medium term plan formulation. The exercises related to the annual plan were substantially in the nature of filling in schemes with reference to broad framework already agreed upon at the time of medium term plan. It would, therefore, be difficult to accept that the machinery can be a system of working out a five year projection every time an annual plan exercise is undertaken.

17. Moreover, one of the dominant elements observed for difficulties in planning at state level and levels below was the uncertainties involved regarding the resources and other policies at the central and to some extent state levels. If rolling plan system is introduced, more uncertainties will be felt resulting in lesser possibilities of planning exercise being undertaken at state level and levels below the states.

After all, the instruments of one 'arealevel' became constraints of the other and vice-versa. If these change too often, responses become difficult.

18. Moreover, the essence of rolling plan is effective review. Often, new programmes get on ground towards the middle of financial year. Ongoing projects may also pick-up during the later half of the year. Operationally, it is doubtful whether adequate feedback on programmes can be got in time for being taken into consideration at the time of plan discussion. No doubt, improvements can effected and programmes alone do not constitute Planning. Yet, whatever feedback is obtained could be enough for a succeeding annual plan, but may be inadequate to undertake changes in a medium term review.

19. Even purely in terms of mechanics, a number of problems are bound to arise. For instance, the present time schedule of preparation of annual plans may be seen. The Planning Commission spends about 15 working days on discussions regarding financial parameters for state plans with about 20 states. Each state takes about $1\frac{1}{2}$ to 2 days to discuss the annual plan with the Planning Commission. The Planning Commission representatives including Finance have to be fully involved in these discussion. This, in addition, takes about 40 working days. Even under the present pattern of planning therefore, this exercise extends from November-December to January-February. It is doubtful whether more time can be allotted to these exercises every year without commencing these exercises at unreasonably early stage, to be in time for budget approval. It may be borne in mind that the Planning Commission has to

attend to plans of our 20 departments of the Union level-taking about 15 days. The time is so short that there will be little scope for interaction regarding projections for future. The problem would perhaps be more complicated if the system is supposed to involve both fixed five year plan framework and rolling plan framework.

20. In short, therefore, the demands of a rolling plan exercise in terms of timely data availability, capacity for short-term forecasting and scope for quick decision making to change the priorities, would be difficult to achieve in a system which is essentially dominated by an iterative process of planning involving at least about 20 semi-autonomous political bodies and a national planning Commission. If the process of decentralisation below the state, that is being sought, is also introduced, the matter would be further complicated making the rolling plan exercise extremely complex. Since activities most amenable to manipulation in the shortrun are not in the union-sector, the recurring changes involved in rolling-plan process will have to be in state/district component.

21. In short, therefore, irrespective of whether this switchover is considered to be an effort to appear innovative, or to divert attention from substance to form, or to dilute thrust of planning, purely in the context of multi-level planning, situation, it is quite reasonable to assume that the

net outcome will take one or the other of the following forms:

- i) The rolling plan framework, if it results in uncertainties, would tend to greater centralisation;
- ii) The rolling plan framework may be worked out with a fixed five year plan system as is being suggested, in which case greater decentralisation will be possible if the uncertainties to state plans are reduced and annual plans exercises are refined;
- iii) If the thrust towards decentralised planning is emphasised and more efficient annual plan system is not introduced, the entire plan process will get weakened.

DECENTRALISATION IN PLANNING:

22. The process of formulation of State Plan is, according to Planning Commission, being reviewed with the objective of achieving greater decentralisation. This decentralisation is being considered in respect of planning for agriculture and social services. At the central level, it is proposed to review the present practice of centrally-sponsored and centra-sector schemes, whereby the Union directly finances implementation of schemes in state sector in part or totally. Thirdly, planning machinery at State and district levels is proposed to be created/strengthened. Finally, an area Planning approach is suggested as essential ingredient of decentralised planning.

23. Area Planning is suggested by the Commissions as a means to making the programmes more area-specific. This was necessary to overcome the inadequacies of sectoral planning and regional allocations in the context of uneven distribution of potential and poverty in the country.

24. Regarding the levels, the present thinking of Planning Commission is that the most appropriate unit for employment planning, with emphasis on agricultural productivity, would be the Development Block. Whether the appropriate planning level is the District, Taluk Development Block or a cluster of villages is still said to be a matter for further consideration.

25. The activities amenable for planning at local level, have, however been spelt out as: agriculture, minor irrigation, animal husbandry, fishing, forestry, marketing or processing, cottage and industries, and local infrastructure and social services including water supply, housing, health, education, sanitation local transport. It is further clarified that major investments in basic industries, large scale irrigation, power, transport and other infrastructure would remain outside the scope of area planning and would be determined by national or regional priorities.

The integrated area development plan proposed involves:

- a) Drawing up of an inventory of resources on a scientific basis.
- b) Preparation of feasibility reports.
- c) Identification of projects and programmes to realise development potential.
- d) Location of centres for the supply of economic and social services.
- e) Manpower Planning for full employment - ensuring precise information about the categories of unemployed persons and seasonality so that programmes are drawn up to suit the various categories. The initial coverage of employment intensive area plans would be 2000 Development Blocks, in the next five years.

PROPOSED DECENTRALISATION AND MULTILEVEL PLANNING:

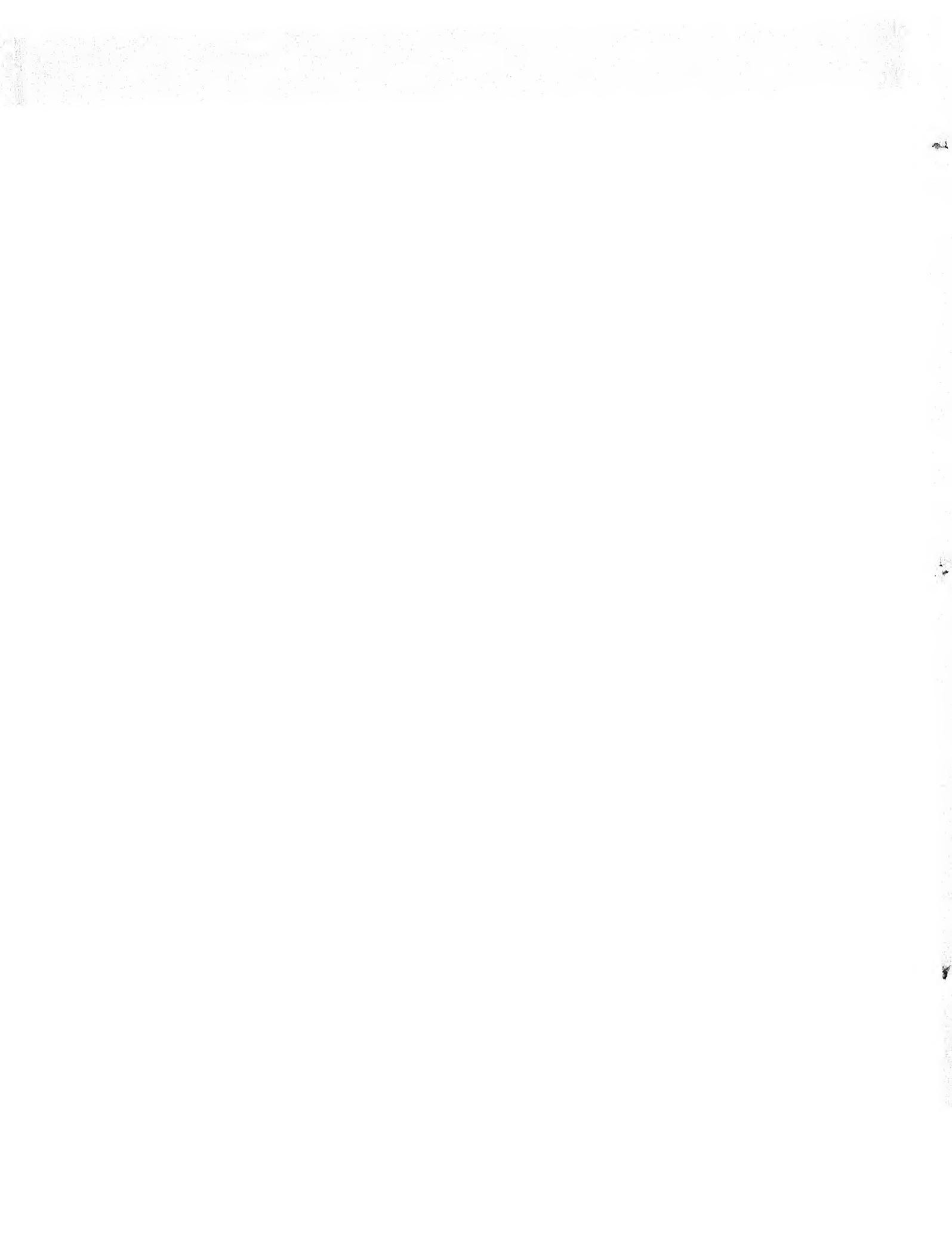
26. A more detailed account of the appropriate levels and activities for an operation framework is given in the succeeding chapter. However, a few comments, specifically in response to the proposed changes in the system would not be out of place here. Firstly, the appropriate planning level is said to be a matter for further consideration. At the same time, the Planning Commission not only prefers, as per present thinking, Block as a unit for area planning, but proposes to cover 2000 Development Blocks in the next five years. The situation, thus, appears to be very fluid.

27. Secondly, the activities that should be subjected to a planning at decentralised levels should be identified. The Planning Commission suggests a review of formulation of State Plans for decentralising agriculture and Social Services. At the same time, in the note on area planning, a far wider coverage is proposed, for Block level involving local transport, local infrastructure, cottage and small industries etc. Thus, there is need for clarity on this too.

28. Thirdly, the institutional set-up requires to be clarified. While it is stated that the planning machinery would be strengthened/created at state and district levels, a view is yet to be taken on appropriate levels for planning though Development Block appears to be the preferred level for area planning. More important, the mechanics of popular

participation - One of the major factors in the proposed changes - are not spelt out so far.

29. Lastly, whether rolling plan concept would be applied to planning, at district or block levels is not clear. In any case, if the area plans are prepared with Development Block as a unit and centres have to be identified for location of services - more often than not, these centres would be outside the Block. The area-plans prepared so far (to which a reference is made in the document) roughly covering the activities suggested, would confirm this situation.



CHAPTER SEVEN:

An Operational Framework for Multi-Level Planning:

From the description of the plan process and the environment for planning in India, it is possible to develop an operational framework for multi-level planning in India. Certain broad hypotheses within which such a framework has to be developed would have to be indicated. Firstly, while indicating appropriate "area-levels" for planning, existing basic politico-administrative framework has to be taken as given. Naturally, a close approximation of the ideal levels to the existing structure has to be attempted. Secondly, it is not realistic to think of each 'area-level' as unique without reference to agency levels which exist at each 'area level' and interact among themselves and also have links - up and down. Thirdly, planning as a process involves analysis, information flows detailing of measures due to what may be termed as delegated planning and decision making itself. While the essence or significance of a level for planning is 'decision-making', the efficiency of such decisions at different levels would depend on the close link up of the other functions also at each one of the levels. In other words, all these functions implicit in planning have to be viewed together in the system. Fourthly, a theoretical

framework to the extent it has been developed (i.e. review of existing literature) and the existing practices will have to be understood for a meaningful operational framework. Finally, certain consequential arrangements - institutional, administrative and financial will have to be suggested.

ON LEVELS:

The first issue to be tackled is the 'levels' at which planning, in the sense of decision-making level, should be undertaken. It may be useful to recall, in brief, some contributions made to the issue of the levels at which planning should be taken up in India. K.N.Raj, in his classic paper on District Planning desired planning from below encompassing the district, taluk (or block) or village level, though the methodologies for planning and reorganisation of the whole planning process was developed with reference to District and State as units (Raj K.N., 1971). Dr. L.S.Bhatt, presented a framework for regional development in the context of national planning in India. In this situation also similar units (i.e. village, block, district, group of districts, state group of states) are recognised, but he suggests planning involving changes in existing Districts wherever necessary. There is greater emphasis on regional physical planning at the lower levels of planning while economic-planning takes over at the higher levels of planning. The issue of

decision making and institutional development however is not analysed (Bhat L.S., 1970). Prof. S. Chakravarthy, analysing the multi-level planning frame-work accepted only the State and Districts as decision-making levels though some activities are earmarked for inter-state development (Chakravarthy S. 1972). Prof. Gadgil, one of the earliest advocates of planning at District Level, felt that the District would not necessarily coincide with economic region. Yet, accepting District as a unit of planning, he proposes dividing the Districts into smaller homogenous units involving integration through what is known as Mandi Centre approach. (Prof. Gadgil D.R., 1966). Dr. VKRV Rao, proceeds more or less on the lines of Prof. Gadgil and desires creation of what are known as economic areas within the District (VKRV Rao, 1973). Prof. Wahiduddin Khan, Lalit Sen and Sudhir Vanmali etc. advocate new regions for planning as ideal though they accept district planning as the only feasible alternative for the time being (NICD, Hyderabad). Dr. Alagh, seems to suggest a system in which the State and District would be recognised for planning purposes, but the national economy could be de-composed into 10 or 12 blocks for the purpose of economic development (Alag, Y. 1973). Sri Anand Sarup who had been personally involved in plan process in India, shares the view that District is not ideal for planning but feels that it is only at this level that work can be initiated in the immediate future within the

framework of multi-level planning apart from National and State level planning (Anand Sarup, 1973).

3. Concurrently, there has been a gradual crystallising of approach and policies towards multi-level planning. In actual practice, the Planning Commission had been, no doubt, emphasising the need for preparation of plans even in the first plan. The Planning Commission emphasised (1950) the vital role of the local authorities in any scheme of planned development and also did not overlook the essential requirement of the eventual coordination of these plans of local authorities with the State Plans. It was during the Second Five Year Plan that the idea of planning at the village, block and District level clearly emerged. It was only in 1969 that the Planning Commission came up with specific guidelines for preparation of a District Plan. In the Fourth Five Year Plan, the idea of integrated area development was focussed and stress was laid on strengthening of Planning machinery at the State and District levels though Central assistance was restricted to the former. In the Fifth Plan the role of multi-level planning especially at the State and District levels was commended though nothing beyond commending seems to have happened. As part of sixth Plan exercises, the need for Block level Planning has been emphasised and a working group has been set up. This does not, preclude, a district level for planning, while even a cluster of villages as a unit for 'area-planning' is being

considered. The focus is on 'area-planning' with full employment as the objective. Thus, as an approach, various levels were indicated but, suggesting machinery or methodologies of processes was restricted to District level, (in addition to state level).

4. Various states adopted different approaches to the unit of planning. Illustratively, the practice in a few states may be indicated here. In Maharashtra, the State had accepted the District as unit of plan. In Tamil Nadu, planning is being done for 13 Districts, but 10 of the Districts have been divided into 20 development Districts with each District being divided into two development Districts. The institutional structure however remains unchanged. In Andhra Pradesh three regions namely Rayalaseema, Coastal Andhra and Telengana were accepted for purposes of analysis and preparation of perspective plan, but the operational medium term plans are to be prepared only at the District level. In most other states also, there were attempts at planning - particularly at District level - but these had really no institutional base and were made as ad hoc exercises.

5. Thus, multi-level planning is advocated at many levels viz. villages, block levels, district, group of districts, state and group of states. Village seems to be a convenient starting point. (A village as a compact group of houses is normal but not universal - for instance such a situation does not prevail

in most tribal areas and most parts of Kerala). It is a basic unit for data collection and analysis. It is also, unit for conceiving the quality of life, but would be too small for meaningful appreciation of development in view of the fact that most linkages (including purchase of say, fertilisers and pesticides) will fall outside the village. Block also suffers from a similar, though to a lesser degree, handicaps. However, Block, with its administrative structure can form a convenient unit for implementation, such process would, to some extent, involve elements of data flow, throwing up candidate projects, and detailing some smaller projects into schemes (such as the place where drinking water well would be dug). In practice it is found that though planning at village and block levels is indicated, the detailing of the machinery, framework and methodologies more or less stopped at the district as a microlevel unit. District, therefore, can be treated as a convenient level in the multi-level plan process.

6. However, as mentioned earlier, there is a school of thought which questions the relevance of District as economic regions. In fact, reorganisation of Districts is suggested by some, while others are prepared to accept the present division for the present though in principle it is felt that there should be changes in due course. Firstly, it would be

unreasonable to imagine that the resources distribution over the geographical space of a state should be static and it follows that the economic structure in its spatial expression would vary from time to time. This logic might imply that the boundaries of the District would be changing from time to time depending on the geographical expression of economic situation at the particular time. Secondly, there is certain amount of political affinity developed within the existing District and this may not be disturbed easily. Thirdly, for policy purposes accepting an administrative region as a unit of institutionalised planning in multi-level plan frame need not be unscientific. It may therefore be necessary to accept the existing division of the Districts just as the existing division of the states is also accepted. However, for purposes of analysis and understanding of the special and economic structure there is no need to treat a District as indivisible unit as it has infact been suggested by the economists. While for purpose of analysis and understanding the state level authorities or even district level could go beyond or behind district boundaries, for operational decision-making, district is one unit which can provide viable economy, administrative infrastructure, scope for establishing local Government and finally certain amount of socio-political affinity cognisable within the District.

7. The next issue would be as to whether there is need for a level between the district and the state. For larger states,

it might be convenient for analytical purpose to group districts into regions. In quite a few of these states, such groups of districts have already got demarcated due to historical reasons.(Rayalseema, Coastal Andhra and Telengana in Bihar, North Bihar, South Bihar and Chota Nagpur in Bihar, Eastern UP, Western UP and Hill Areas in UP etc.). Such a grouping would no doubt help understanding and analysis of the region, but to create a new institutional set up at the regional level with decision making authority vested in them may be difficult. Firstly, the situation would warrant such a regional level in some states only. Secondly, operationally, it would amount to too many levels and perhaps the regional level would cut into the authority of state, over and above, what the district claims. This may not be feasible. Thirdly, advisory bodies can effectively play a 'buffer role' and thus reduce the need for a specific decision-making level at region i.e., group of districts.

8. The state as a unit, is accepted as inevitable in a federal set up, and the issue of reorganisation of states is bypassed on the same logic as the issue of reorganisation of districts (vide para 6 above). Yet another level suggested is a group of states but this would amount to creation of an extra constitutional authority over federating states. A form of this, namely, zonal council, was however set up but did not work well. Yet, for analytical purposes and for sorting out inter-state issues, there could be a zoning of

of states. For a large country with over twenty states, amenability to analysis would be possible through grouping of states. This may be, general purpose or special purpose (for power grid, water grid etc.).

9. To sum up, therefore, the decision making levels, with institutional development could be states and districts. Data feeding function and to some extent delegated planning can be performed by village and block levels. The regional levels (a group of districts) and the macro level (a group of states) can be considered as levels for data analysis. Strategy-identification and for advisory factors on plan priorities.

ON ACTIVITIES:

10. A ticklish problem, however, relates to the issue relating to activities that have to be undertaken at each level of planning in a multi-level set up. Generally, in most of the discussions on plan processes in India, emphasis is laid on decentralised planning. Implicitly, it is felt that plan decisions are being determined at a level higher than where they should be. This involves a hypotheses as to the levels at which each one of these decisions have to be appropriately taken. In the absence of clarity on this hypothesis, the nature and extent of decentralisation cannot be properly determined. It may therefore, be necessary to decide on given 'policy-levels' of decision making and determine a framework of activities relevant for each level.

11. The dominant reason for centralising the decision making is that well-integrated and consistent decisions can be taken only at a centralised level since there is great degree of inter-relationships between the various activities over all the areas. On the other hand, it is argued in favour of decentralisation that the flow of information will have to be enormous and the cost of such information could be such that it will out-weigh the advantages of efficiency in taking centralised decisions. Further, in a complex system and in a large country like India the need for such information would be huge and with limitations of data particularly regarding quantification of certain items in relatively unorganised activities, the dependability of centralised decision making on such data would be meagre. In addition, the local resources mobilisation and integration of activities over space by appreciating the intimate linkages is considered more feasible at a decentralised level of decision making. Thus, we have to understand a trade-off between the consistency sought through centralised decision making and inefficiencies as well as greater cost in collecting information for such a decision making process.

12. At this stage, some contributions made to an understanding of this issue may be summarised. Dr. K.N.Raj lists out certain considerations that are relevant to determine what developmental functions and responsibilities could be entrusted to the State and levels below particularly at the District level. Firstly,

given the resources endowment and specific objectives that different states may have, it is felt that certain developmental policies and programmes will necessarily have to be formulated and executed at the level of the respective State Governments. Economic infrastructure to support agricultural and industrial expansion including irrigation, extraction of minerals, forest and marine resources etc., development of industrial complexes are considered the minimum developmental functions for the State. Secondly, there are other areas of development such as social services which are considered to amenable for decentralisation. Thirdly, local infrastructure for development of agriculture, and also small and medium industries are also suggested for transferring to the Panchayat Raj Institutions. Fourthly, the possibility of social and political forces working in favour of more prosperous sections in such a system of decentralisation is taken note of and appropriate system methods are considered essential for both resources mobilisation and dispersal of benefits to ensure that these non-egalitarian tendencies are corrected. Finally, strengthening of planning machinery at the State level including changes in the institutional set-up, centre-state financial arrangement and methodology of planning are considered a pre-condition for the approach. (Raj. K.N. 1971). This approach appears to be based on the appreciation of the degree of linkages in the developmental programmes.

13. . The demand and supply approach is suggested by Prof. Chakravarthy. According to this approach, the decision making unit should plan only for such sectors in which the order of consumption (demand) and production (supply) at these levels is likely to be in equilibrium. The point in this approach is that a District cannot plan for such sectors whose demands originate outside the Districts. In other words, the planning at the District level will be restricted to what is known as non-basic or residential sector which serve the local market. This logic is developed into an illustrative model. Power and water management is allocated to inter-state planning. Major irrigation projects, agriculture credit arrangements, state highways and road transportation, secondary education and collegiate education and infrastructure in major urban agglomeration would fall in State sector. Land development programmes, land reforms legislation, family planning, primary education and construction activities fall in the District sector. (Chakravarthy 1972). To understand the relevance of this approach, it may be useful to recall the results of study made in Gujarat wherein it is held that the backward and forward linkages for most of the developmental activities lie outside the districts. (Alagh Y. 1973). Yet another criticism of this approach would be that this might develop a tendency for planning for self-sufficiency of each district.

14. The other approach for locating functions may be termed potentialities approach. The potentialities approach

is advocated by a number of economists including Alagh, Kelkar and Anand Sarup (1973). According to this approach, the emphasis should be on identifying the potentialities of the districts. A plan has to be prepared for accepting the potentialities and detailed estimation of local techno-economic potential as a first step which has to be followed by matching of such potential with the developmental possibilities provided by the rest of the economy. In this accepted frame, specific programmes of agro based or industrial development have to be designed. The specialisation of different areas even within the district in terms resources development will be naturally correlated. In such an approach programming for national minimum needs etc. which cover basically social services will have to get into an area development plan. Thus, the districts will plan relatively comprehensively for the total economy but such of those activities for which intervention mechanism can be designed and implemented at a higher level will be taken over by the State. Thus, the activities such as major irrigation, power generation industrial investment opportunities etc., would be indicated while local infrastructure projects, social services projects would be planned as programmes within the districts.

15. Yet another way of looking at the allocation of functions would be in terms of differentiation between macro and micro analysis and integrating them through certain principles of inductive and indicative planning as well as adoptive planning (Mathur O.P. 1973). This approach emphasises

the utility of an approach involving what may be termed as delegated planning at the decentralised levels.

16. The plan documents of national planning Commission have been, time and again, exhorting the State governments to formulate plans for villages, Blocks and Districts. In 1969, detailed guidelines were prepared for formulated and circulated by the Commission. However, no specific identification of activities was made - though broad fields relevant for decentralised planning were mentioned as agriculture, small village and college industries, and social services. In the recent document indicating need for Block level Planning, a more elaborate account of activities relevant for 'area planning' is given (para 25 of Chapter Six).

17. With this background, it would be useful to narrate division of functions defined in practice by some states. In operational terms certain division of schemes have in fact been made between the District and State sectors by various planning agencies. In Tamil Nadu certain activities are allocated for the State and certain other activities are left to the District with constraints imposed by State policies whereas certain other activities are allocated for the District as the planning level. The activities of the State as the decision-level are, Agriculture, Education (Veterninary Education, Medical Education, Technical Education, University Education, Medium Irrigation, Ayacut Development, Soil Conservation, River Valley projects, Inland waterways, Large

Scale Cooperating Processing Units, Power Development, Water Supply Schemes, Tourism Development. The activities of the District as the decision level with the constraint of State policies are - Agriculture production, Minor Irrigation, Ayacut Development, Social Conservation, Animal Husbandry, Dairying and Milk Supply, Forestry, CD & Cooperation, Village & Small Industry, Road Transport, Warehousing & Marketing, Health and Family Planning, Housing-Urban and Rural, Town Planning and Urban Development. District alone is the decision level in respect of Rural and Panchayat, Roads, Elementary and Secondary Education, Welfare of Educationally and Socially backward, Social Welfare, Training for farmers & Craftsmen & Public-Cooperatives.

18. In the context of District planning in the Karnataka State for which the Institute of Development Studies had designed a training programme on operational division has been made with reference to the schemes in the state plan. Schemes have been divided between those which can be conveniently executed at the District level and those which can be conveniently decided at the State level (VLSP Rao, Etal, 1973). In Andhra Pradesh a differentiation between the District sector and State sector was made. These were based on the basis of the various schemes in the plan and have been divided in terms of effort that has to be made at the appropriate level. Thus, schemes such as research, training in agriculture, surveys for ground-water, command area development, animal husbandry,

dairying etc. are placed in the State sector. Major irrigation, power generation, large and medium industries, development of major projects, university education including medical colleges, major water supply scheme for the city and particularly research training and other staff schemes with State wide schemes are also included in the State Sector. All other activities are included in the District Sector (Sulapani and Sambhu Rao 1976). In order to arrive at this differentiation, the functions to be performed by the Government alone were taken and they were allocated on the basis of levels and relevances. This require identification of all public sector functions in terms of:

- (a) those which do not have extra-district and extra-state implications;
- (b) those which have extra-district but extra-state implications;
- (c) those which have extra-state but not national implications (i.e. only group of states are involved);
- (d) those which have national implications requiring discussions and effort at national level;
- (e) those requiring a supplementary effort at the State level due to national activity, and vice versa; and
- (f) those requiring supplementary effort at district level due to national and state activity and vice-versa.

It was clarified that such a differentiation would help identification of activities (in point of fact these were programmes of state Government) relevant to district level and state level.

19. From a narration of the various approaches and

practices a few tentative conclusions emerge. In conceptual terms, there is an emphasis on the degree of interrelationships between the various activities in terms of space unit under consideration. The idea being the problem of inconsistency can be minimised by allowing each space unit (say district) to decide in such fields as would not substantially affect the total system. Since ultimately, all activities are inter-related, the degree of inter-relationship becomes crucial. The variety and complexity of the problems, the nature of information system, particularly in regard to non-quantifiable aspects and the cost of collecting and collating information would favour decentralised decision making. This has to be 'traded off' with inefficiencies due to inconsistencies consequential upon allowing activities with higher degree of inter-relationships (spread over a wider area) to be performed at lower area unit level.

20. In operational terms, the interrelationships have so far been viewed not with reference to economic activities as such but with reference to the instruments(mainly projects or schemes) available with government and where these instruments can be exercised at a unit level(say a district) without affecting other units (other districts) they were allocated to such a unit.

21. If plan process is appreciated in terms of area levels as well as agency levels and in the context of being a continuous process (that is, a rigid distinction between plan formulation and plan implementation being treated as ~

operationally not very relevant), it would be possible to arrive at a more realistic framework of multi-level plan process. For the purposes of understanding the various elements in this complex process, it would be necessary to appreciate that the plan process constitutes a broad spectrum of performance of the role by any individual agency at any particular level. At one end of the spectrum, we have the role of simply feeding information. At the other end of spectrum, we have decision making powers. In between, we have the role of a simple agent for implementation as also the role of performing delegated planning functions. Even this distinction cannot be water-tight but helps as a convenient frame. The activities implicit in each one of these roles (or sub-processes as they may be called) may be broadly summarised as follows:

I. Information Feeding:

- (a) Basic data for analysis
- (b) Appraisal of ongoing effort
- (c) Frame of development (proposed or being adopted)
- (d) Schemes (suggested or being accepted)
- (e) React to suggested schemes.

II. Agent for Implementation;

- (a) Receive intimation of schemes.
- (b) Adopt prescribed procedures(for tenders, audit etc)
- (c) Use resources given and execute scheme
- (d) Report compliance.

III. Delegated Planning:

- (a) Receive the nature of schemes, norms, time schedule, resources etc.
- (b) With some analysis, decide on location of schemes, type-design, sequencing etc. to match the above.
- (c) Implement and account for resources.

IV. Decision making:

- (a) Collect, collate and analyse data.
- (b) Consideration of objectives and alternatives.
- (c) Raising of resources.
- (d) Plan of action and project-choice.
- (e) Implement or cause to be implemented.

22. In the earlier review of the various activities that are to be allocated to various area levels (paras 12 to 20) it was clear that we had on one hand conceptual model based on inter-relationship in terms of economic activities and on the other hand, we had operational division of schemes into those which should appropriately be decided at each one of these levels - the latter concentrated on instruments available to the public sector agencies. It may be appreciated that in India, the economy is dominated by small house-hold units most of which are operated by self-employed persons. Each (particularly, large number of farmers) have their own considerations in making their decisions about the nature and levels of production (crop choices as well as choice of inputs, technology and farm practices). These large dispersed units comprising the economy will have to be influenced, to achieve

plan objectives, though a series of incentives, disincentives, though a series of incentives, disincentives (and infrastructural facilities). The qualitative (autonomous nature of decision making by primary production units) and the quantitative (large numbers dispersed over a wide and differentiated areas) aspects of the system require a highly flexible and varied use of the instruments in different local situations. At the same time, the demands of consistency and integration of the overall objectives of the systems require that these instruments are operated within a commonframe. This challenge has to be met by a variety of agencies at different area levels. In other words, the system requires operation of a number of bodies, departments, autonomous Corporations etc. mutually appreciating what each one is doing and identifying the problems of role-overlapping, role-conflict and finally control mechanisms. If this broad frame-work is to be applied, the scheme of things in the context of the differentiation between the information feeding, agent for information, delegated planning and decision making can be presented in the form of a chart(IX.)

CHART IX

SUGGESTED AREA LEVELS AND SUB-PROCESS

Unit	Information feeding	Agent for Implementation	Delegated Planning	Decision making
Village	Yes	-	-	-
Block	Yes	Yes	Yes	-
District	Yes	Yes	Yes	Yes
State	Yes	Yes	Yes	Yes
Nation	Yes	-	-	-

Note: Region i.e. group of districts and zone
i.e. group of States would have only
information feeding function.

23. A convenient starting point for identifying activities that should appropriately be allotted for plan process in terms of sub-process i.e. information feeding, delegated planning etc. can be to make a distinction between "social infrastructure" a directly productive " and "economic infrastructure". The social infrastructure broadly covers items like health facilities, water supply, education, housing etc. These can be determined broadly with reference to the levels of development of each service that have to be reached in the context of long-term and short-term view of the growth with social justice at national or state level. Once this frame is agreed upon, the details could conveniently be worked out and even decision making on inter-sepriorities in social infrastructure sectors done at district level. Further detailing could certainly be done at the block level in terms of locations etc. The development of activities in the directly productive as well as economic infrastructure categories are inter-related and will have to be viewed in the light of lead sectors identified for specific areas, the settlement hierarchy suggested and the overall policy constraints. While a 'broad framework' containing these elements can be worked out at the State (or regional i.e. group of districts) level, it is at the district level that these considerations are operationally meshed. In regard to the economic infrastructure those which could be conceived

and executed within the district level such as minor roads, minor irrigation etc. can be left to the district level to be decided within broad frame-work'. On the other hand, economic infrastructure facility which will cut across districts such as major irrigation, power generation survey and investigations etc. will have to be performed by the higher level namely State level. In regard to the directly productive activities also where these can be conceived and executed within the districts such as extension machinery, seed production etc. They can be done at the district level subject to the agreed framework of physical strategies. Enterprises such as medium and large industries which have to draw upon the resources substantially from outside the district also have to be programmed at the State level. A detailed exercise only will help fuller development of differentiation into sub-processes and allocation of activities to various area and agency levels - but the emphasis should be on a wellworked out plan process involving broad framework; successive approximations; and a minimum standards approach".

POPULAR PARTICIPATION :

24. An important question relates to the role of population participation. It has been emphasised that popular participation is essential for the success of

any plan. The plan process is enriched by popular participation in a number of ways. Firstly, it would enable checking of reliability of data on which the plans are formulated. Secondly, there will be commitment of the people to the projects formulated. Thirdly, the technical and bureauratic agencies will have to rationalise their proposals before the people accept and as such, will provide restriction on vagaries of these agencies. Fourthly, once proposals themselves are made public the scope for unreasonable pressures through informal channels will be reduced. Finally, any proposals will be based on judgement of people at large who are affected by these proposals in the light of their experience in the past and this is a reliable corrective to irrelevant and unsuitable policies.

The basic issue relates to the way in which this participation can be obtained. While debate and wide-spread discussions of the plans as prepared are not uncommon, it was evident from the description of plan process in the earlier chapters that the involvement of people at large in the process of planning has been very restricted. The involvement was more or less restricted to political executive and legislative wing normally provided a final seal of approval. In the whole process, therefore, there is scope and need for institutionalising popular participation at least that of elected representatives.

25. In the context of multi-level planning, the issue of popular participation becomes more important. One of the important purposes, of identifying functions which can be reasonably carried out at a lower level, is to bring the problems of local conditions into the proper focus in the plan process. Naturally, decision making has also to be devolved to the lower level, and the problem of possible conflict of objectives between the state and district levels will arise. It is said this conflict can be more easily reconciled within the bureaucratic system than in the political system. Conceptually, the purpose of bringing in local levels is to give a local view also and naturally if there were no conflict at all the local view would become superfluous. If it is said that the conflicts are more easily resolved at bureaucratic levels, it generally means that the hierarchy in bureaucracy assets itself to bring about conformism. Empirically, however, it has been found that conflicts arise and are resolved at political levels (vide Rayalaseema exercise).

26. One of the arguments against the process of providing decision making to lower level say district level is that there will be greater interference in the day to day affairs of the developmental work. Even, agreeing that this would be so, to the extent this happens at the district level, relief would be afforded to the higher level autho-

rities namely, the state level authority to terms of their work load and as such, there will be greater attention to the identified, limited and significant activities at the state level. The total efficiency in the system may not, therefore, suffer.

27. In fact, the idea of interference of the peoples representatives in the day to day administration itself is to be appreciated in its proper perspective. The present system of formulating plans and programmes is purely bureaucratic and it provides for no real democratic control over the formulation of programmes itself. The process of social change which is quite complicated has, in these circumstances, to be generated through bureaucracy under over all frame given by political executive and only a final seal of approval or disapproval of the elected representatives is given. The choice left to the Elected representatives is to informally press forward their individual claims and interests (as much in public interest as in their own) without adequate opportunity to appreciate the total system. In other words, present practice of uninformed informal interference can be transformed into a systematic interaction in which both political representatives and bureaucracy will be made to appreciate the technical alternatives and the choices. This involves not only loss of

authority for bureaucracy but greater work load in terms of rationalising their proposals and subjecting themselves to an intimate review of their purpose. One of the issues raised in this regard is that more privileged and stronger sections have a tendency to control institutions at district level when compared to higher levels. This argument seems to be untenable both on theoretical and on empirical grounds. Theoretically, if it is argued that the society is stratified into classes, it does not appear logical to say that the class composition will be different when the size of the society or the size of geographical unit under consideration is different. Empirically, if the size of the States in India are analysed and their functioning taken into account, no relationship can be established between the size of the political unit and the extent of control by more powerful and richer sections over the political institutions. (for e.g. Kerala and Orissa).

28. An example of popular participation in plan process has been illustrated in the Rayalseema model (vide Annexure II). The basic features of Rayalseema model are :

- a) Exposure of the elected representatives to the data
- b) Discussion of the alternative strategies of development.

- c) Impressing them regarding total resource availability.
- d) Integrating the total constraints fixed by State and National levels.
- e) A commitment to certain basic norms within which the decision have to be taken - norms have been derived from the plan frame; and
- f) Arriving at distribution of resources and selection of projects by successive approximations in a committee involving elected representatives generalist co-ordinator (Collector), the Technical Officers concerned and the planner.

ADMINISTRATIVE RESTRUCTURING.

29. In the system of multi level planning, one of the essential conditions for a co-ordination is an agreement on spatial perspective. This would ensure certain amount of co-ordination. To this end, the National Planning Organisation will have to be strengthened.

30. At the State level, the effort will have to be directed to strengthening the organisation for Planning in terms of ;

- a) Analysis of physical strategies and identification of "areas" or sub-regions even within a district.
- b) Identification of growth-centres with reference to settlement hierarchy (as of now these growth centres are identified by each department or agency).

- c) Guiding districts authorities to plan for district.
- d) Project formulation capabilities including prescription of norms for various social services and local infrastructure.
- e) Systematic and timely monitoring and review, and.
- f) Providing assistance to Committees of non-officials (representing district level, State and even National level, such as Zilla Parishads Chairman, Members of Legislature and Parliament) who would discuss and advise the Government on schemes for development before they are incorporated in the Budget. These Committees may be constituted separately for different sectors.

31. In the case of larger States, creating Committees (as at of para 29) for groups of districts (regional level) may be advisable instead of sector-wise. This would, of course get Secretarial support at the State level only.

32. At the district level, there should be a elected body (i.e., Zilla Parishad). Since the proposed system involves substaintial strengthening at the district level, the lower levels (such as Panchayat Samathis) would slightly diminish in relative importance. The Planning organisation at district level will have to be created with a political executive playing the dominant role. The technical support for this organisation will have to be directly derieved from State Planning Departments. The capacities to Planning and programming activities identified for the district will have to be developed.

The Block level would thus be reduced in importance, and may not after all, afford a separate Planning Organisation.

33. In terms of inter level relationships the National level would hate to deal with only the State level. The National Planning Commission would approve the State Plan component, and only the broad parameters of the district plan would be brought to the notice of the National Planning Commission. As long as, all programmes of States Plans and below are subject to approval at National level, the "imposition of standard schemes" would continue. Similarly, the system of schematic grants to second order lower level by higher level (such as central sector schemes) would have to be dispensed with. Instead, only the totals of resources and programmes in identified activities for each level would have to be tallied by the higher level. Further, the emphasis should be changed from function-oriented multiplication of agencies to area-oriented consolidation of agencies. With a tight schedule for annual plans, more attention has to be paid to systematic formulation of medium-term plans. Finally, exchange of evaluation reports between the levels and presenting them to Developmental Committees proposed for sectors (or regions) at State level would ensure a better follow up action.

34. It may be necessary, if effective decentralisation takes place, to consider creation of a State level Development Council on the same pattern as NDC, with State Chief Ministers, important Ministers, and Chairman of District level elected bodies as members. Further, the staff at the district level have to be effectively brought under the control of district elected bodies. Finally, smaller municipalities have to get integrated into this system while the larger ones would get recognised as equivalent to a district level body.

ANALYTICAL TOOLS :

35. There is need for a comprehensive approach to the developmental priorities and all the instruments available with public sector agencies. Restricting the information flow as well as planning process only to governmental agencies and excluding various public enterprises has resulted in a situation where more effective instruments (such as Bank finances) are not mobilised to achieve the identified goals. At present, many of the public enterprises do not formulate a five year plan - let alone integrate them with plan priorities.

36. It would be evident from the analysis made that the information flow constitutes the basis on which decisions have to be made and the information flow becomes crucial

element for coordination in terms of time space and sectors. Firstly, therefore, a broad framework, a line of action followed by details of schemes will have to be worked out by all the institutions involved. There is need for a common time frame. Thus, there may be a need for formulation of some sort of perspective, five year plan and annual plan by all agencies including banks, other financial institutions, cooperatives etc. These should be specific to accepted basic area units such as the States and the districts. These time-bound plans prepared for different accepted space units or area units by all public sector bodies will ensure certain amount of coordination at each level and over time. They will have to cover the sectors and activities specified for various levels. This process would therefore be essentially one of continuous flow of information with a definite understanding of the following:-

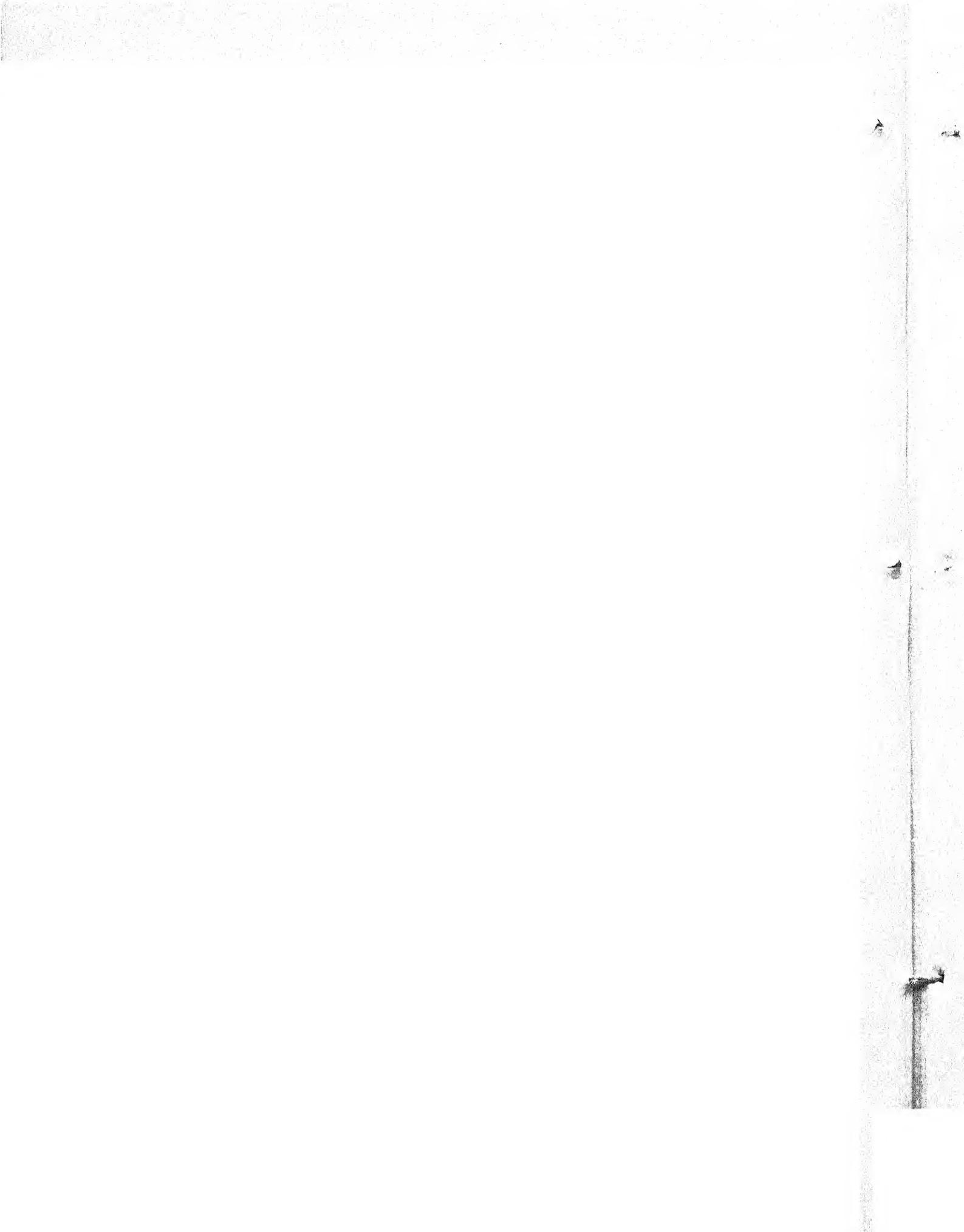
- (a) Agreement on time-dimensions for a plan i.e. perspective, five year plan, annual plan etc...
- (b) Agreement on area level for which such frame will have to be prepared.
- (c) Specifications of the role in terms of each sector and for each one of the agencies involved.

37. It is not intended to say that these by themselves will bring about the necessary coordination. There would be a need for introducing certain tools of analysis for ensuring integration and coordination. One would be time discount rate for analysing projects. Second would be the accounting

price that will have to be assumed for arriving at social cost and social benefits. The third would be the need for some sort of shelf of projects. It may be necessary to caution that a shelf of projects has to be reviewed continuously and gradually elaborating them with reference to changing needs. Finally, a total view in terms of not only the activities that are supposed to be planned for a given period but also the activities that have already been taken up is necessary. This point is specifically made since the budgetary procedures involve identification of "non-plan" activities i.e. those which are committed and being executed and plan activities cover only those which are programmed during the plan period.

38. In brief, a multilevel planning process is a complex process and its effectiveness is enhanced through a process of comprehensiveness in coverage of public sector agencies, rational decentralisation, and subjecting the plan process to a more continuous and effective popular participation at all levels primarily through elected representatives. The key to the success of this process is as much in participative effort to mobilise efforts at all levels as in the improving of analytical capabilities in the system.

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ANNEXURE I.

CENTRE-STATE RELATIONS IN PLANNING :

In the classical approach to federations, a few characteristics are associated with a federal political setup; though in reality all these characteristics are not present in full measure, in any of the federations.

2. The Indian Federation is characterised by a comparatively powerfull union. For instance there are some matters on which the constitution could be amended by the Union bodies themselves. In the matter of distribution of powers, the concurrent list is rather large. The Governor, a Presidential nominee is enabled to reserve bills for the consideration of the President. Parliament can legislate on any matter in the State list if authorised by 2/3 rds majority of the council of the States. There are emergency powers which extend beyond security situations and enables the union to function as a Unitary State and above all, Parliament can alter the boundaries of and indeed "destroy a State".

3. A discussion on Centre-State relations on Planning has to keep in view the total context, and hence these could be discussed in terms of different facets of Centre-State relationships. Viz. Political, legislative, administrative, financial and planning relations. The major focus is naturally on Planning relations.

POLITICAL RELATIONSHIPS :

4. The political relationships can be analysed in terms of the relationship between the political executive which means

the Government at the Union and State levels, as also the relationship between the various levels in the political party or Parties from which the Executive is drawn. The pattern of political relationships was for a long time determined by the fact that there was a uniparty control with a dominant leader exercising authority at the Union. The political network connecting Centre and State leadership was thus providing an extra-constitutional channel that was used amply to resolve conflict and cease tension. Political relationships between the leader in the Government particularly between the States and Union to a large extent determine their relationships also. The Linguistic division of States no doubt gave strength to what may be termed as sub-national sentiment. However, the Central Leadership gradually began to depend on the leaders of the State in the 60s. But since 1969 the power of central leadership was almost undisputed. There are also instances where the Party problems in one or more States either within the party or interparty issues tended to influence centre-state relations. However, the results of Parliamentary elections of 1977 makes the picture very different since the South Indian States are by and large Governed by Congress and AI/DMK Marxists are governing West Bengal, and Akalis Punjab-both being allies to Janata. Assam is still controlled by Congress. By and large the rest of the country and centre are governed by Janata Party.

LEGISLATIVE RELATIONS :

5. Parliament has power to legislate for the whole or part of India and the State Legislatures are empowered to legislate for the whole or part of individual States. The legislative powers of Parliament and State Legislatures have been divided into three lists i.e. subjects within the exclusive competence of Parliament; within the exclusive competence of the State Legislatures and the "Concurrent list" containing matters in respect of which both the Union and States can legislate. The most striking aspect of the division of subjects in terms of legislations between the Union and the States is a preponderance of the Union Parliament, which has been ensured by the Constitution in a number of ways.

- (a) The allocation of the subject matter of legislation in the three lists itself is such that the Union Parliament is preponderant.
- (b) Certain heads of legislation, which in the first instance belong exclusively to the States, may become the subject of exclusive concern of the Parliament if any appropriate declaration is made by the Parliament.
- (c) There are certain subject matters of legislation partly within the exclusive competence of Parliament under the list I and partly within the jurisdiction of the States by express provisions.
- (d) In addition the residuary powers of legislation including the taxation are given to the Union Parliament.
- (e) In case of repugnancy between the Union and State laws, the Union laws are supreme irrespective of the chronological order of the laws. If, however, the President assents to a State Law which has been reserved for his consideration it will prevail inspite of its repugnancy to an earlier law of the union

- (f) There is also a provision for presidential veto, and there is a specific role for the Governor who is a presidential nominee in the State Legislation. In certain circumstances, the constitution requires presidential assent before bill passed by the State Legislature becomes law. Apart from this compulsory provision, the Governor may reserve a particular bill for the consideration of the President, but in such a case President may either give his assent or withhold it or he may ask the Governor that the Bill be placed before the State Legislature for reconsideration in accordance with his message to the House. To prevent conflicts with Parliamentary law, many state bills are sent for Presidential assent.
- (g) There are also situations when Parliament can legislate on matters reserved to the States. The Council of States (Rajya Sabha) is empowered to transfer to the Union legislative Jurisdiction any matter in the State List provided a resolution to that effect is supported by 2/3rd majority, the only criteria being that such a transfer should be in "National Interest". In addition during emergency Parliament may assume legislative powers for the State List also. Further by passing a resolution (if there is one more State to join) State legislature can surrender its legislative power with respect to a specific matter.

ADMINISTRATIVE RELATIONS :

6. The constitution of India contains provisions for the division of executive powers between the Centre and States. Broadly speaking, the executive power can be considered as co-extensive with legislative powers. The executive power of the Centre and States extend primarily to matters with respect to which they are empowered to make laws. However, when the Centre legislates the Parliament can leave the executive power to the State. It can broadly be said that administration is primarily handled by State agencies. However, even in the realm of administration, the scope for union control over the States is substantial.

7. An important institution in the administrative relationship is that of the Governor. The Governor a nominee of the President (and holding office during the pleasure of the President) and therefore of the Union Government has a dual responsibility towards the President and towards the State Executive of which he is the constitutional Head. He has powers to summon, prorogue and dissolve the legislature from time to time. The constitution also provides for emergencies when the administration of State is taken over by the Centre, and the President's rule is imposed on the recommendation of the Governor. It is perhaps correct to say that at least till recently the Governors have tended to exercise this discretionary authority on instructions from the Centre.

8. An important instrument of control is the power of the Union Government to give directions to the State Governments to enforce union laws, in respect of select matters. In case of non-compliance the President is competent to make a proclamation, under article 356 that the constitutional machinery has failed.

9. The Union may delegate administrative powers to States. It is also possible for the Parliament to confer powers on State or officers and authorities administering a law so made.

10. However, the State government also is permitted to entrust an executive function of the State to the Union Government with its consent. The Indian Constitution also

provides for All India Services could be created by Parliament provided the Rajya Sabha declared by a resolution supported by not less than 2/3rd members present and voting that this was necessary in the "national interest".

11. There is a provision for constitutional bodies involving administrative relations between the Union and the States. The President is empowered to establish an inter-state council to effect co-ordination among the States if at any time he finds that public interest would be served thereby. Though the President can define the nature of the duties to be performed by the Council, the Constitution delineates the three-fold duties that may be assigned to the body viz. enquiring and advising upon disputes which may have arisen between the States; investigating and discussing subjects of common interest between the Union and States or between states interest and to make recommendations. The Council can either be a permanent body or ad hoc.

12. Judicial determination of disputes between the States is provided for by conferring exclusive jurisdiction of a special category of disputes by an extra-judicial tribunal. The Parliament is empowered to exclude the adjudication of any dispute with respect to waters of an Inter State river or River Valley from the jurisdiction of the courts and provide for the adjudication of such disputes. An act of Parliament has actually authorised creation of tribunal

to handle disputes between the States concerning Inter-State water way. (Inter State water dispute Act, 1956).

13. In the States' Re-organization Act of 1956 zonal Councils have been set up for each one of the five zones. There are purely advisory bodies consisting of a Union Minister, the Chief Ministers of each of the States and two other Ministers of each State nominated by those Governors. The inclusion of Union Minister provides a link between the Centre and group of States.

14. In addition to the constitutional and statutory agencies to ensure the co-ordinated development of India as a whole, there are number of advisory bodies and conferences at the Union level which promote coordination of State policy. The most significant of such bodies is the Planning Commission. Though, Governmental planning was envisaged (item 20 in the concurrent list deals with economic and social planning) no specific provision exists in the constitution for setting up of appropriate planning machinery. The Planning Commission was accordingly set up by a resolution of the cabinet with comprehensive functions and this organisation which is entirely creation of the Union Government provides very significant link between the Union and the States in a number of matters.

FINANCIAL RELATIONS :

15. The financial relations are among the most complicated of the relationships between the Union and Federation. It is said that all federations have common problems and they

are very tricky ones. First of all there is the problem of fiscal imbalances". Lady Ursula Hicks continues to say "all federations have a problem with which we are familiar in India viz. the uneven potential of the States".

16.. Regarding taxes, certain duties are levied by the Union but collected by the State (excise duties on medicines and toilets etc.,), certain duties are levied and collected by the Union but revenue is assigned to the States (such as excise duty on property other than agricultural land, taxes on Railway fares and freights). Taxes are also levied and collected by the Government of India but distributed between the Union and States (such as tax on income other than agriculture). However, surcharges levied on taxes covered by the last two categories can be appropriated by the Union. Certain excise duties (other than on medicinal and toilet proportions are levied and collected by government of India but may be shared between the Union and the States if so established. Further any taxation bill affecting the interests of the State should receive the prior consent of the President for introduction in the Parliament. Article 275 provides for grants-in-aid to the States. The Parliament has power to determine the need for such aid and different sums may be fixed for different states. The principles governing the grants-in-aid to the States are expected to be determined on the basis of recommendations of the

Finance Commission. Article 280 of the Constitution providing for appointment of Finance Commission which is extremely important since it introduces dynamic element into the financial relationships between the Union and the State.

The Principles of sharing and devolution of finances between Union and States and as between different States are determined on the basis of recommendations of the Finance Commission.

The First Finance Commission was appointed within two years from the commencement of the constitution and thereafter

Finance Commission is being appointed every fifth year. So far six Finance Commissions have been appointed while the

seventh has just been appointed. The general trend in the reports of the finance commissions has been to increase the share of revenues to the States. The Sixth Finance

Commission had certain additional terms of references viz.

principles governing the distribution among States of the

grant on account of wealth taxes on agricultural property;

the problem of non-plan gap of the State and their relative

position to determine the scheduling of loans due to the

Centre; the policy arrangements in regard to financing

of relief expenditure by the States affected by national

calamities. Further, A Member of the Planning Commission

has been associated with the Finance Commission. Thus

unlike the earlier Finance Commission, the latest had

taken into account capital liabilities of the States,

in addition to revenue liabilities. Inter State disparities

in relation to levels of general law and order administration were also considered. Finally the levels of development in respect of basic social services were also considered in recommendation the subventions. Seventh Finance Commission which has been recently appointed has substantially similar terms of reference as those of the Sixth.

17. The State Governments have powers to borrow but the in reality this power is entirely subject to the control of the Union Government since if a States Government has any outstanding loan it has to obtain the permission of the Government of India.

18. Article 282 provides for discretionary transference of resources from Union to States, that is at the discretion of the Union Government. It is under this article that the transference of resources from the Union to the States for purposes of economic and social purposes (that is for Five Year Plans) is made.

19. Broadly from an analysis of Financial relations between the Union and State, a few important points may be made :

(a) The Union Government is provided with highly elastic revenues whereas the State Government has inelastic revenues. The Fifth Finance Commission took note of the fact that the taxes assigned to the Union have been producing increasingly larger yields and that there is a secular trend towards giving more tax powers to the State.

(b) As a consequence, the dependence of the State Government on the Centre has grown and it is felt that the total resources available for the States are inadequate. The total amount of resources transferred from the Centre to the States between 1951-1971 have increased over sixteen times whereas the growth in the States own resources are estimated to have grown only by about eight times during the corresponding period.

- (c) There is large amount of indebtedness of the state to the Centre. In addition, the overdraft of the States is found to be increasing. It is observed that the indebtedness of the States is increasing at such a rapid rate that the Administrative Reforms Commission in its report on Centre-State relationship mentioned the severe strain the States are experiencing on account of repayment of these amounts.
- (d) There has been a debate on the institutional frame work for the transference of resources under Article 275 (consequent upon the recommendations of the Finance Commission) and then under Article 282. The transference of resources on plan account are generally made under Article 282. The bulk of the transfers from the Centre to the States have been in the form of loans and discretionary grants as recommended by the Planning Commission and the Ministry of Finance. In this regard, a number of alternatives have been mentioned about the role of Finance Commission vis-a-vis the Planning Commission.
- (e) It may be noted that, in last five years, the gross financial transfers on plan account for only one third, the other two-third being on another account and non-plan.

CENTRAL ASSISTANCE TO STATES ON PLAN ACCOUNT

20. The "Gadgil formula" to which a reference was made in the text, became operative only from the Foruth Five Year Plan. Till then central assistance to State Plans was passed on as a balancing factor between the desirable plan outlay of a State and the resources of the State. Moreover, Central assistance was tied to various schemes and its terms (i.e. loan and grant element) also varied correspondingly. This, not only resulted in uncertainties and adhocism in devolution of Central assistance to States, but the debt burden varied substantially between the States. There was also a feeling that the States

were forced to take up schemes carrying central assistance and consequently local priorities were distroted. In these circumstances, there was a strong plea for distribution of Central assistance as a block amount - with fixed terms of grant element and repayment conditions, so that the States could decide on sectors and schemes in tune with local conditions.

21. In the meeting of the National Development Council held in September 1968, a formula, known commonly as the Gadgil Formula, was adopted for allocation of Central assistance to the States for the Fourth Five Year Plan. The Chief ingredients of this formula are :-

- (a) The requirements of the States of Assam, Jammu and Kashmir and Nagaland were to be met through an ad hoc assignment out of the total Central assistance meant for the plan; and
- (b) the balance was to be distributed among the remaining 14 states at :-
 - (i) 60% on the basis of population;
 - (ii) 10% on the basis of per capita income only to those States whose per capita income was below the national average. For the purpose of allocation, the "deviation method was to be applied i.e. the lower the per capita income, the higher the allocation.
 - (iii) 10% on the basis of per capita tax effort in relation to per capita income. For allocation, the direct proportion method was to be used i.e. higher the tax efforts, the higher the allocation.
 - (iv) 10% on account of continuing major irrigation and power schemes i.e. the schemes with a total estimated cost of Rs. 20 crores and above on which an expenditure of at least 10% of the estimated cost had been incurred before the commencement of the Plan.

(v) 10% on consideration of special problems of States i.e. chronically drought affected areas, desert areas, tribal areas, hill areas, metropolitan areas etc.

22. It was also decided in the meeting of the National Development Council that the assistance should be given to the States in the shape of block loans and grants for State Plan as a whole, without the assistance being related to any sector of development or a particular scheme. The assistance was to be in the shape of 80% grants and 70% loans. For the hill areas of Assam, Jammu & Kashmir Meghalaya and for Nagaland, a more liberal pattern of 90% grant and 10% loan was adopted. For the hill areas of Uttar Pradesh, Tamil Nadu and West Bengal, the assistance was in the shape of 50% grant and 50% loan.

30. Although the assistance was given in the shape of block loans and grants for the State Plan as a whole, without relating the assistance to any sector of development or scheme, outlays for agriculture, selected irrigation and power schemes and other projects of high national priority were earmarked. If the State Government failed to incur expenditure upto the outlays approved in the case of earmarked sector or scheme, a pro-rate cut was made in the Central assistance. Similarly, if the total Plan expenditure of the State fell short of the total approved outlay, a pro rate cut in the Central assistance was enforced.

24. Pending the meeting of the National Development Council to approve the 5th Five Year Plan, Central assistance to States for the period 1974-76 was kept at the level of 1973-74. It was increased by 10% over that level for each State except Sikkim for 1976-77. Assistance to Sikkim was given on the

basis of "the assessment of its requirements".

25. In addition to the normal Central assistance for plans, the concept of advance plan assistance was also introduced for three purposes viz . (a) for meeting the gap in resources for funding the inescapable requirements of plan outlays in the core sector; (b) for accelerating the work of irrigation and power projects; and (c) for meeting the expenditures necessitated by natural calamities.

In order to ensure continuity in pace of development in core sectors, advance plan assistance was given to the extent of Rs.465 crores in 1974-77. In order to overcome serious bottlenecks in national economy, pace of irrigation and power projects was sought to be accelerated by advance assistance to the tune of Rs.40 crores in 1976-77.

26. It was recommended by the Sixth Finance Commission that the system of giving non-Plan assistance to States for the expenditure necessitated by natural calamities should be given up as that system led to avoidable waste. It was recommended by the Commission that the

expenditure on relief of natural calamities should primarily be met out of the "margin money" laid down by the Commission and that if any State considered that the expenditure would be more than the "margin money", it should accelerate work on the approved Plan schemes and, for the purpose, advance assistance should be made available to the State Govt. by the Centre. Consequent to the recommendations, during the period 1974-77 about 158 crores were given to the States.

27. This advance Plan assistance to meet the gap in resources, to accelerate work on Power and Irrigation projects and to meet the expenditure necessitated by natural calamities was to be adjusted within the overall entitlement for each State under the Gadgil formula of Central assistance for the Fifth Plan as a whole.

28. In the meeting of the National Development Council of September, 1976, it was formally decided that the allocation of normal assistance from Centre to the States

should continue to be made in accordance with the Gadgil formula, but that, for purposes of computations (a) population of 1971 census should be used and (b) upto date available data of per capita income and State tax receipts should be used. Besides, Rs.450 crores have been allocated for the special schemes for hill-areas, tribal sub-plans and for the schemes of the North Eastern Council, and Rs.100 crores have been set apart for giving extra assistance to the States executing World Bank/IDA assisted projects at the rate of 15-25% of reimbursements received on account of the projects being implemented. A lumpsum of Rs.150 crores has been assigned to 8 States viz. Jammu and Kashmir, Assam, Nagaland, Meghalaya, Sikkim, Manipur, Tripura and Himachal Pradesh. The remaining amount of Rs.4,300 crores has been distributed among the remaining 14 States on the basis of the Gadgil Formula already described. In the rolling plan exercises contemplated it has been decided to apply Gadgil formula for the present. For 1978-79, the extra-assistance on account of externally aided projects was increased to a maximum of 70% - subject to review for application for future.

UNION-STATE PLANNING RELATIONS:

29. The subject socio-economic planning is in the concurrent list. However, there is no institutional arrangement envisaged in the Constitution to effectuate this socio-economic Planning in this country. If the Union Govt.

had so desired the machinery as well as the procedures for Planning could still have been devised on a statutory basis. This was not done. The Planning Commission itself concerned with economic and social planning was not constituted by law. There is no provision in the constitution for the establishment of a body like the Planning Commission, similar to article 280 which provides for the appointment of a Finance Commission.

30. The Government of India decided to set up the Planning Commission by an executive order and in that sense the Planning Commission is a body subservient to the Union Government. The Government of India's intention to create Planning Commission was announced in the Lok Sabha on 28.2.1950 by the Ministry of Finance in his budget speech. The Commission was established on 15.3.1950, by a cabinet resolution. The Planning Commission had to perform the following duties:-

- i) Make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;
- ii) Formulate a plan for the most effective and balanced utilisation of the Country's resources;
- iii) On a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;
- iv) Indicate the factors which are tending to retard economic development and determine the conditions which in view of the current social and political situation should be established for the successful execution of the Plan;

- v) Determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the plan in all its aspects;
- vi) Appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and
- vii) Make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it or on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or soon as examination of such specific problems as may be referred to it for advise by the Central or State Government.

31. The resolution stated that in framing its recommendations the Commission was expected to act in close understanding and consultation with the Ministries of Central Government and the Govt. of States. The responsibilities of taking and implementing decisions will rest with the Central and State Governments. The resolution also specified that the Commission will make recommendations to the Cabinet. The resolution expressed confidence that the States would give the fullest measure of help to the Commission so as to ensure maximum co-ordination in policy and unity in effort.

32. This position of Planning Commission as a non-statutory body essentially responsible atleast in terms of law only to the Union Government has continued unchanged. The Commission's terms of reference have also remained unchanged. Its membership however, has changed both in number and content from time to time. However, "it is difficult to

discover more than a few firm principles that have governed appointments". The Planning Commission is thus "advisory Bod" to the Government "essentially a staff agency". The position of the Planning Commission is very well set-forth in the following remarks of the Chairman of the Fourth Finance Commission in his supplementary note to the report.

33. "There is no provision in the Constitution for a body like the Planning Commission. It was established by a resolution of the Government of India. Neither the strength of the Commission nor the qualification of its members was prescribed. The government retained complete freedom to vary its strength at will and to appoint any one as a Member. There was no limit to the duration of the Commission. When it was constituted, possibly it was meant to be a temporary body and in a sense it continues to be so, though obviously it has come to stay. The composition of the Commission is unusual. It has, as its Chairman, the Prime Minister and among its Members, there are Cabinet Ministers. When compared to a statutory body like the Finance Commission, which is quite independent of the Government, the Planning Commission may be described as a quasi-political body. There has been from time to time variation in the strength of the Commission and in the appointment of its Members. Though its role is advisory, it has come to occupy a very significant and important place in the economic development of the country. Vis-a-Vis the Government it is not easy to

describe its status in spite of its importance; it remains to this day a body without any constitutional or legislative sanction".

34. The relations between Planning Commission and State, in operational terms is summed up very aptly by Sri Tariok Singh (formerly) of the Planning Commission.

35. "In its relation with States the Planning Commission deals with the Chief Ministers on matter of policy, with the State Planning Departments on matters effecting detailed administrative coordination at the State level and on specific issues with the State departments or ministers directly concerned. The Planning Commission does not deal directly with enterprises or agencies subordinate to the State Government unless otherwise arranged for the limited purpose of obtaining information or undertaking special studies".

36. "The Planning Commission has not directly undertaken provision of training facilities in the field of planning. However, one short term course in planning was organised during 1962 for selected officials from the Central Ministries. Officials from the Planning Commission have assisted other institutions in courses of planning for the benefit of serving officials from the States and from the Ministries is presently under review. In the field of statistics a number of courses are being provided by the Indian Statistical Institute".

36. At the suggestion of the Planning Commission itself the National Development Council was constituted in August, 1952 to serve as the highest reviewing and advisory body in the field of planning. The National Development Council thus was created like the Planning Commission itself by a cabinet resolution and its functions are defined as follows:-

- i) To review the working of the National Plan from time to time;
- ii) To consider important questions of social and economic policy affecting national development; and
- iii) To recommend measures for the achievement of the aims and targets set out in the National Plan, including measures to secure the active participation and co-operation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and through sacrifices borne equally by all citizens, built up resources for national development.

37. After the recommendations of the Administrative Reforms Commission in 1967, the Government reconstituted the National Development Council to include as members of Union Cabinet Ministers in addition to Prime Minister the Chief Minister of the States and the members of the Planning Commission. Its functions have also been redefined. The more important change is that the National Development Council is now definitely charged with the responsibility of long term guidelines for the formulation of the National Plan.

38. Another instrument created by the Planning Commission to develop close liaison with the State is institution of Programme Advisors. These posts were created for purposes of having a group of persons who could function as the eyes and ears of the Planning Commission regarding the particular State-persons- who would be sufficiently knowledgeable about the problems prospects and actual developments in the States to be able to advise the Planning Commission adequately on the State Governments proposals. Administrative Reforms Commission emphasised the importance of the proper use of this instrument and especially the importance of permitting officers to hold the position for sufficient length of time and more rational grouping of the States. "These are very important and hard worked men whose chief business is to keep the rather clumsy machinery of centre-State Planning relationships in working order".

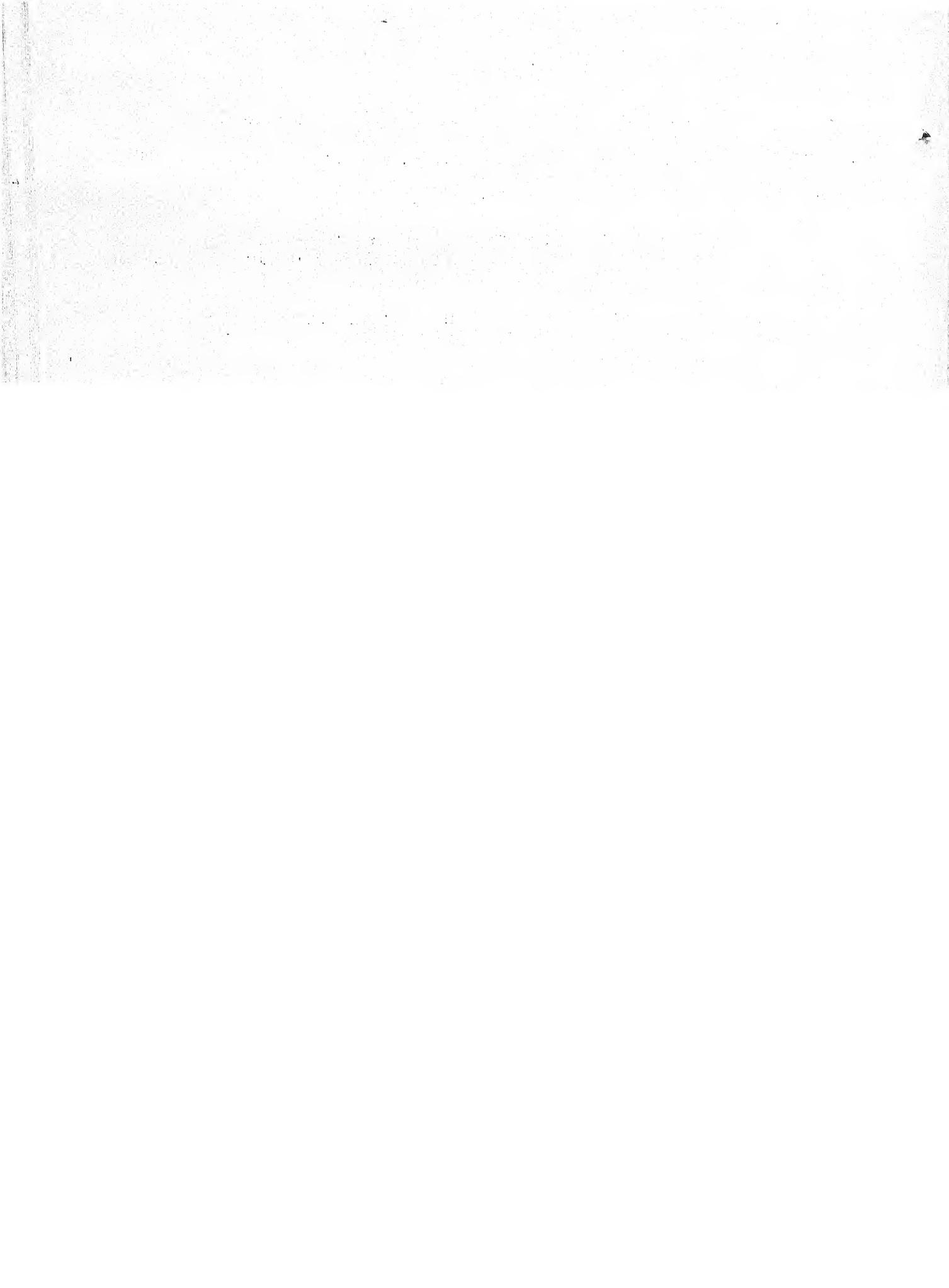
39. The functions of the Programme Advisers, as described by the Estimates Committee, are to help to effect co-ordination between the States and the Planning Commission in regard to (i) preparation of the Five Year Plan, (ii) preparation of the annual plan, (iii) provision of adjustments in the plan, (iv) watching the progress of the plan and attending to the problems of implementation which they come across during their visits to the States.

40. There is also a Programme Evaluation Organisation attached to the Planning Commission, established in 1952. Its functions are:

- i) to study the progress of a programme and to measure its impact on the socio-economic life of the rural people;
- ii) to ascertain the reasons for the success or failure in respect of different items of the programme; and
- iii) to indicate the directions in which improvements may be sought.

In addition there are, the Committee on Plan Projects (COOP) located in the Planning Commission and special teams set up on an adhoc basis by the various ministries for making assessments of specified programmes; and evaluation organisations at the State level set up by some states. Coop as a separate entity was wound up in 1970.

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A N N E X U R E - II

RAYALASEEMA EXERCISE

The object of this note is to analytically present some features of working of Planning and Development Board for Rayalaseema which existed from 1969 to 1973(later it was substituted by another Board similar but slightly different). The author was intimately involved with the working of the Board in its functions relating to Planning as well as Secretariat assistance. It provided excellent opportunities to face, operationally, a number of issues common to multi-level planning. The model suggested in the book has been developed out of this empirical exercise and as such a detailed account of the features of this exercise is considered essential. This note covers:

- (a) a brief background of the region;
- (b) the composition and functions of Planning and Development Board for Rayalaseema;
- (c) the role of the Board in formulation of fourth Plan, Annual Plan, special funds (of annual plan) and review;
- (d) the formulation of perspective plan, and finally;
- (e) the characteristic solutions implicit in the Rayalaseema exercise to issues of
 - (i) levels of planning.
 - (ii) functions to be performed at various levels.

- (iii) tools of analysis in terms of data collection inter-sectoral allocation; inter-sectoral allocations: Project identification review; integration etc. and
- (iv) Popular participation and issues of interference, regressiveness and rational choices;

BACKGROUND OF THE REGION :

2. Andhra Pradesh, located in South India is one of the larger states in the country spread over an area of 0.28 million square kilo metres and a population of over 43.5 millions (1971). The State, for various socio-political and historical reasons came to be viewed in terms of Coastal Andhra (region along the coast encompassing some of the most prosperous agricultural areas); Telangana (encompassing backward areas and till independence part of a princely State with pockets of rich natural resources); and Rayalaseema (traditionally famine affected or drought prone). However, the studies on regionalisation of the country show the basic homogeneity of these three regions with marginal variations depending on the emphasis.

3. Rayalaseema comprises Anantapur, Chittoor, Cuddapah and Kurnool Districts and also the Giddalur and Markapur talukas of Prakasam district (which were part of Kurnool district till recently). With an area of about 28,000

square miles and a population of eight millions, this is a predominantly agricultural region with some mineral base. Rayalaseema region has a history of special attention due to its being recognised as the 'stalking ground of famines' The Government of the composite Madras State (of which this region was part till 1952) appointed the Famine Code Revision Committee to investigate and formulate measures to prevent recurrence of famine in Rayalaseema area. In pursuance of the first recommendation of this Committee the Ceded Districts Economic Development Board was constituted in 1941 which existed till 1947. The Chairman of this Board was a member of the Board of Revenue in charge of irrigation and he had one full-time Secretary to assist him in this regard. This Board was only an Advisory Body with no executive powers and no funds at its disposal. In 1947, a post of Development Commissioner was created to prepare and submit a report on formulating a coordinated plan for the economic development of Rayalaseema. The Development Commissioner submitted his report in 1948. His proposals included the constitution of a Rayalaseema Development Board to function at the level of Government and Rayalaseema Development Committee to be set up with the Development Commissioner as Chairman in the place of the Ceded Districts Economic Development Board. Consequently the Government ordered abolition of the Ceded Districts Economic Development Board and in its place a Development Board for Rayalaseema was

consituted. .

4. The Board had the Minister incharge of Rayalaseema Development as Chairman, Ministers of Agriculture, Local Administration and Cooperation as Ex-Officio Members, five members of either House, at the rate of one per district, five representatives one from each district and six official members, being the Heads of Departments of Irrigation, Electricity, Highways, Cooperation, Agriculture, and Industries. The Development Commissioner was to be the Secretary to this Board. The Development Commissioner was required to initiate plans, coordinate activities of the various departments and supervise the execution of the schemes relating to the economic development of Rayalaseema. This Board which commenced work in January, 1950 existed till the end of November, 1954, when the Government on examination of the question of the reconstitution and continuance of the Rayalaseema Development Board decided to abolish this Board (presumably because the Andhra State as existed then was a smaller State later enlarged to include Telangana in 1950).

COMPOSITION AND FUNCTIONS OF BOARD :

5. Andhra Pradesh was formed in 1956, and Telangana region was included in the State of Andhra Pradesh with special status for the region. Gradually, there developed

a feeling in Rayalaseema that the region was being neglected by the combination of 'rich' coastal Andhra and "Vociferous" Telangana regions. Thus a convention of Legislators of Rayalaseema and others held in Cuddapah district in 1969, focussed attention of the Government of Andhra Pradesh of the 'latter's neglect of the area' and demanded the constitution of a Statutory Board for the Development of Rayalaseema. This was a subject of discussion in the Legislature and an assurance was given by the Government that a Board would be created for the development of Rayalaseema. In fulfilment of the assurance made on the floor of the Legislature, the Government in October, 1969 constituted a Planning and Development Board for Rayalaseema for the districts of Kurnool, Cuddapah, Ananthapur and Chittoor.

The Board consists of all members of Legislature of the State (Lower and Upper Houses); Members of Union Parliament representing this area; Chairman, Zilla Parishad and Collectors of all the districts of Rayalaseema and select Heads of Departments dealing with the developmental aspects, with Secretary to Government, Planning Department as Member-Secretary. The Board was free to invite any other Heads of Departments to attend the meetings of the Board. The Board was to meet twice a year.

The functions of the Board as defined by Government
are :

- 1) to prepare a long-term plan for the eradication of Famine in Rayalaseema;
- 2) to consider and advise Government in regard to the schemes pertaining to the development of Rayalaseema as may be included in the Fourth Five Year Plan or in the Annual Plan;
- 3) to recommend further measures that may be necessary to accelerate the pace of development of Rayalaseema and
- 4) to review the progress in respect of the development schemes pertaining to Rayalaseema.

The Government order says that these functions of the Board will be carried out by an Executive Committee consisting of a Chairman, Vice-Chairman, both nominated, all Ministers from Rayalaseema, all Head of Departments, Collectors and Zilla Parishad Chairmen who are members of the Board and select legislators and Parliament Members also on nomination by the State Government. Later a Chairman of Municipality was also nominated. The Executive Committee is to meet as often as may be necessary and not less than once in a quarter. It is to submit a report of its activities to the Board in its half-yearly meetings. The Government 'assured that it will endeavour' to give effect to the recommendations of the Board having regard to the resources of the State and the special central assistance that may be available for the purpose.

6. The characteristics of this arrangement may be summed up as :

- a) Rayalaseema was accepted as a 'policy region' for analysis and a special purpose region; not as part of larger identified regional system.
- b) The Board constituted due to political pressure was "purely advisory".
- c) The functions cover all aspects (perspective, medium term, annual plans as well as review) of planning
- d) The composition reflects association of elected representation at Central, State and district levels as also district level coordinator and State level executing departments. The Ministry of Planning became the 'convening agency'.
- e) The executive committee, the most operationally relevant body, was a nominated body but the officials and the Zilla Parishad Chairmen became members in their ex-officio capacity. The Board by itself was too large and the executive committee was operationally relevant. This committee including the Chairmen and Vice-Chairmen were nominated by the State Government. As a nominated advisory body it was in a way 'part of Government.'
- f) This may be contrasted with a regional body for Telangana which existing from 1956 to 1973. It was a statutory body, consisting of all legislators of Telangana. This body, better in status, was restricted in its membership to elected representatives of State Legislatures from the region. Implicitly the district level was not represented, and officials were, so to say at the opposite side of the table".

RAYALASEEMA BOARD AND FOURTH PLAN :

7. The formal process of preparation of the Fourth

Five Year Plan was almost complete as far as the State is concerned by the time the Planning & Development Board for Rayalaseema was constituted. However, one of the functions of the Board was "to consider and advise the Government in regard to schemes pertaining to development of Rayalaseema as may be included in the Fourth Five Year Plan or in the Annual Plans". Accordingly, in the very first meeting of the Board, it felt "the need for crystallized thinking to give a concrete shape to the general discussions arising out of the suggestions made by various members of the Board for inclusion of the schemes for the Fourth Five Year Plan as well as the Annual Plans. The Board accordingly decided to form five Sub-Committee for preparation of schemes for the Five Year Plan as well as Annual Plan. The Sub-committees consisted of select non-official members of the Board and the official members connected with the subjects. The subjects covered were (a) irrigation, (b) agriculture and animal husbandry etc., (c) drinking water supply, public health, roads (d) industries and mining and (e) power. The Committees were expected to give their reports "very soon" since the Fourth Five Year Plan was expected to be "finalised". The Sub-Committees accordingly submitted their reports within a month. The process of working out the schemes for the inclusion in the Fourth Five Year Plan by these Sub-Committees was therefore essentially adhoc. The Sub-

Committees gathered detailed information with the help of the Planning Department on the on-going schemes, on the schemes sanctioned but not executed, on the schemes investigated and ready for execution and on the schemes under investigation. The Committees also toured certain important places of the area and exposed themselves to the felt needs of the public and various bottlenecks in the implementation of the schemes. With this background, specific principles for priority of the schemes in each sector were worked out. Further, financial allocations considered necessary were indicated by these committees. In some cases like Irrigation and Power, an indication was also given about the magnitudes of the total programme and the requirements that have to be kept in view, if some perspective of development has to be worked out. The reports of the Sub-Committees were then placed before the Executive Committee as also the General Body which accepted the allocations as indicated by the sub-Committee with a few modifications. It may be observed from this that while the approach has been primarily scheme-wise, it had a sectoral significance and highlighted priorities for the special problems of the area. The Government approved the recommendations in principle and suggested that the Heads of Departments should keep in view the recommendations and priorities suggested by the Executive Committee and the General Body of the Rayalaseema

Board in taking up schemes for the Fourth Five Year Plan both in the State sector and in the Central sector.

8. The main features of this exercise on Fourth Plan may be summarised as :

- a) The Board, (i.e. both elected and official members of district, State and Central levels) was made aware of the sectoral profiles.
- b) The on-going effort was examined and some defects in working of projects brought to the including procedural aspects.
- c) The projects pipe line in terms of possible schemes investigated, to be investigated etc., was identified.
- d) The norms for selection of projects depending on specific requirements of area were worked out.
- e) The total magnitudes, potential and costs were indicated (that is, what would it cost, to electrify all villages, connect all of them by roads, to exploit all irrigation potential known, etc.) and this helped in appreciating the need for relative priorities.
- f) This no doubt helped in highlighting the need for collection of data, analysis, and broad directions of development for the region. Naturally a concern, a lively interest, and informed contribution to this process by many in Government was ensured.
- g) Pending detailed work on this, it was clear that the knowledge acquired through reports of sub-committees and studies for perspective plan would provide the basis for annual plan allocations.
- h) The hastily prepared reports were sort of "joint effort" of all concerned to give an informed commonsense direction to plans. As a beginning it was externally useful.

THE BOARD AND ANNUAL PLANS :

9. One of the functions of the Board was to advise the Government on the annual plans also. Since the Board was established in October, 1969, advise to the Government on the formulation of Annual Plans started with the preparation of the Annual Plan for 1969-70. While the State Plan for 1960-70 did not indicate the break-up for Rayalaseema and the rest of the State separately, an effort was made to identify the schemes having significance for the region as regional schemes and those which are of State-wide importance and therefore for which certain amount of credit should be taken as Rayalaseema share. The Board suggested a number of schemes highlighting the inadequacy of allocations made to the Rayalaseema area in the Annual Plan for 1969-70. The Government, however, took the position that since the Annual Plan was almost finalised it would not be possible to accept the recommendations of the Board.

For subsequent years, the annual plans were prepared by the Planning Department keeping in view the recommendations of the Board for schemes to be included in the Fourth Five Year Plan. The schemes meant to benefit Rayalaseema were shown separately in the form of Rayalaseema share of the Annual Plan. (A share represents the financial allocation for schemes meant to benefit the region plus a national amount of allocation to the region treated as its share

(pro-rata) of the schemes which benefit the State as a whole or an area other than this region also). These annual plans were placed before the Board for advise. It is observed that there seldom was an advise on serious changes in the annual plan. This could be attributed to two factors viz. the fact that the broad priorities indicated by the Board were already taken into account in formulating the annual plans. There was an allocation of Rs. 4.00 crores within the State Annual Plan but treated as special Development Funds, for which schemes were formulated entirely on the advice of the Board. (a more detailed account of this is given in later part of this section). There was no clearcut comprehensive, well thoughtout strategy of Development on which the Annual Plans of the State were based, as far as the region was concerned till 1969-70 since there was neither Regional Planning nor a Regional Board. Naturally, the plan did not contain any regional allocations and for 1969-70 agglomeration of the schemes already underway in Rayalseema were presented to the Board. Subsequently by virtue of the acceptance of certain principles relating to allocation of funds for Rayalseema region, increased funds were made available. It was then possible to include schemes relevant to the area, as indicated by sub-committee report on Fourth Plan and exercises relating to perspective plan keeping in view the programmes in Central sector also.

10. Increased allocation to all back areas in the State was one of the major demands of the Board. This meant implicitly, that the Board's demand gained respectability and sympathies of other backward areas of the State. A decision was taken in this regard by the Government of A.P. This set apart an amount of Rs. Four Crores out the S-state plan outlay for 1970-71 (and continued at the same rate for subsequent years of the Fourth Plan) for intensive development of Rayalaseema area. The Planning and Development Board for Rayalaseema was requested to suggest sector-wise allocation and schemes for this amount. The Board considered the proposals received from the Collectors which were formulated by Collectors in consultation with the Chairmen, Zilla Parishads concerned and the District level Heads of Departments. The allocation of four crores for each year was distributed at the rate of one crore per district. The Taluks of Giddalur and Maikapur were allotted 20 percent of the allocation of Kurnool District since they were part of Kurnool district when the Board was formed. The overall allocations at the rate of Rs. 1.00 crore per district were divided sectorally and schemewise keeping in view

- (a) the priorities already indicated by the Board,
- (b) the productive value of the Scheme.
- (c) the possibility of maximum impact, the need to fill crucial gaps in developmental effort and

thus generally supplement normal plan effort,

- (d) the need to minimise commitments on recurring expenditure, and
- (e) the past performance and provisions already made in the annual plan of the State and schemes of the Central sector operating in the region.

The selection of schemes was usually in the light of the broad principles agreed to and as per the suggestions made by the Collectors in consultation with the Chairman, Zilla Parishad concerned. Operationally, the Collectors would have to discuss the schemes with local elected representatives, the Heads of Departments at District level, various public enterprise agencies etc. This is done in close collaboration with Chairman, Zilla Parishad. The proposals are then presented to the Board. The State Planning Department in consultation with other State Heads of Department places before the Board their responses to the proposals and a final view is taken by the Board. Certain schemes of general significance for the region such as surveys, project feasibility studies are suggested by State Planning Department also and the allocation is usually shared by all districts (since each district was earmarked rupees one crore). As mentioned earlier the functions of the Board are carried out by its Executive Committee. The proposals for each group of activities are thoroughly discussed by sub-groups of the Executive Committee constituted on an adhoc basis for the purpose.

11. In regard to pattern of allocation, top priority was given to electricity (Rural electrification and release of services only fall in the regional sector) including electrification of Harijanwadas (areas inhabited by Harijans in a village). The extreme dependence of the region on drawing water from wells for irrigation was one of the primary reasons for this. Water supply schemes were given next priority since scarcity of drinking water was actually felt in this drought area. Irrigation schemes were adequately (considering total potential) taken care of in the normal plan, and hence dry forming (which was considered the long term solution for the area) was given preference. In order to improve the conditions of weaker sections, provision was made every year for schemes under social welfare.

12. Review of schemes became a logical corollary of formulation of schemes. The review was very detailed, in fact scheme-wise as far as special development (i.e. Rs. 4.00 crores per annum for intensive development) schemes are concerned. Since allocation of special development funds was done by the Board, the Heads of Departments had to take the review - function seriously.

13. The work of the Board was not restricted to suggesting schemes for state plan alone. In fact, Central

sector schemes and related issues of development were also critically reviewed. This was necessary since the Board had to advise on measures for intensive development and also since the formulation of schemes for special development had to be made taking into account the developmental thrust in the area through other means also (i.e. central sector, state normal plan, working of cooperative, financial institutions etc). For example drought borne areas programmes with an outlay of about rupees two crores per district (i.e. 8 crores in the region) was a fully central sector scheme and this was discussed in detail by the Board. The demarcation of subsidy belt for industrialisation of backward areas (vide Pande-Wanchoo Committee reports) was taken up by the Board, and growth entering approach was adopted for this purpose.

14. An important aspect relates to the information flow and degree of detail to which schemes are decided upon at the level of the Board. Information flows both from the state level and district level depending on the nature of information. Its reliability is invariably put to test by the elected representatives who have intimate knowledge of local conditions. In regard to some schemes, such as villages to be electrified or dairy plant the individual projects are discussed and cleared keeping in

view the criteria accepted. For certain others, such as water supply schemes, dry forming projects etc., the broad magnitudes and norms are decided while actual project identification is left to the district level.

In some cases broad indications are given so that decisions are made at district level but these are reported back automatically to the Board.

15. Striking aspects of the working of the Board in its operational aspects of annual plans for development

may be briefly summed up as :

- a) Practically for the first time, there was a scrutiny of schemes (mostly of Special Development Funds) by a body of elected representatives implementing agencies etc., before being introduced into the budget and getting sanctions.
- b) Though the formulation of schemes was restricted to "four crores per year" there was understanding of total effort in terms of all developmental efforts,
- c) State and district levels were simultaneously involved in the formulation and review of schemes through the Board.
- d) Decision making was through a process of successive approximations to fairly accepted basic principles. There was always an effort to throw out "very costly" alternatives and the elected representatives were choosing among the "relevant band" after being told of techno-economic implications. A minimum standards approach was adopted for choice of projects.

- e) A set of proposals thus sent to the Government though basically advisory were seldom ignored as they were within the total policy frame of the Government.
- f) Allocations to various sectors and schemes were made with basic rationality, and indeed there was little more innovative approach than it was before the Board came into existence. For instance, the package of dry forming practices was given a boost. The State dairy experts thought that Dairying was not feasible, while preliminary studies as well as the elected representatives felt that there is need and scope for development of dairy around milk powder plants. The matter was then referred to a national consultancy organisation (NDB) whose report was in favour of the Board's view. Yet another instance relates to the demarcation of industrial subsidy belt. The original proposals of State Government were modified eliminating areas belonging to very influential members (Ministers) of the Board since growth centering approach was adopted by the Board. The revised proposals were also approved by the Government of India. These examples should not leave one with the impression that all was rational. For instance, power was extended to areas where there was already over-exploitation of ground water. The point is, that there is far greater scope for rationality in this relatively open, participative, semi-decentralised process than otherwise.
- g) usually, there is a criticism that decisions left to lower area levels tend to be anti-progressive. In fact the Board set apart 15% of its funds for welfare of Scheduled castes while indeed neither at the State level nor at the central level was such as earmarking done.
- h) Alternatives were presented clearly but the process of posing alternatives was not giving end products or cut and dry solutions. It was in terms of discussion, elimination of irrelevant or very costly alternatives and choosing among the less costier ones without going into too much (considering the quality of data and cost of information on which such detailed and accurate calculations can be made)

calculations of benefit-costs. To illustrate, the selection of villages for rural electrification may be taken. Hitherto the practice was to get a list of villages by technical field officers and add or delete as dictated by the political elements. In the Board, the system was different. The number of wells available in each village were mapped out (since highest priority has to be given to energisation of pumpsets for wells). The existing power substations high tension lines etc., were also mapped out. Given the total sectoral allocations, there would be a meeting of elected representatives generalist coordinator and technical people. As implications of various villages are indicated, *prima facie*, very uneconomical areas are thrown out. In other words the elected representatives may choose their favourites but these would be among the less costlier ones. In this process, all parties concerned were accountable to each other.

BOARD AND PERSPECTIVE PLAN :

16. One of the functions of the Board was to prepare a long term plan for the region. For this purpose, the Board's approach took into account the following factors.

- 1) The plan to be realistic should be based on the overall financial resources that could be anticipated for this area;
- 2) the plan has to be operational in its character and therefore very much within the institutional framework that is available ;
- 3) the plan has to be acceptable to the Planning and Development Board for Rayalseema and therefore particularly within the value framework and priorities indicated by the Board rather than simple economic optimisation model keeping only the basic institutional structure as given.
- 4) Implicitly the plan had to be based on local felt needs as reflected both at the district level and at the regional level;

- 5) Due to substantial data insufficiencies the level of quantification has to be particularly low. Successive approximations and sound judgement is essential. However, this had to be based on fairly adequate analysis.
- 6) Further since the spill-over commitments are already substantial in the plan, the manoeuvrability in the short run is usually limited and very specific and detailed suggestions in the long run are not desirable. Therefore, necessarily in a number of areas a deliberate amount of flexibility had to be indicated by expressing the overall direction and purpose rather than the details. It should also be explained here that the expression of the plan into financial outlays in the Fifth and Sixth plan are really uncalled for but it had to be made to ensure that the relative priorities are appreciated by the Planning and Development Board for Rayalaseema.

17. In regard to the administrative arrangements for the perspective plan, the work was done under the overall guidance and intimate involvement of the Rayalaseema Board, Its Executive Committee, and the Sub-Committees. The work on perspective plan was done in the planning department of the State by the normal staff available. After gathering the data, the problem was discussed in a Seminar (in March, 70) involving the representatives of the various Heads of Departments, the Members of the Board, the Collectors and experts from the various fields at the National level including staff of Planning Commission. An Ad-hoc-Committee was constituted for the follow-up action, as recommended by the Seminar consisting of two representatives of each of the Working Groups of the Seminar and broadly consisted of the various officials of the State Government, Central Government

and the Chairman of the Andhra Pradesh Small Scale Industries Development Corporation. On the basis of the guidelines given, proposals from the districts were obtained and a draft plan was prepared by the Planning Department with the help of some special surveys. Working Groups were then constituted involving Heads of Departments and representatives of institutional finance, and the Members of the Board for the finalisation of the Plan. The Plan was then finalised by the Executive Committee and the Board.

18. Very broadly, the steps taken in the preparation of the regional plan are as follows :-

- 1) The preparation of a resource inventory indicating an analysis of the on-going schemes, the physical potential especially, agricultural, irrigation, forests, soil, land-use, urban structure, industrial structure etc;
- 2) An attempt was made to analyse the resource position in broad terms and indicate an overall strategy of development for the region as a whole;
- 3) Having arrived at the overall strategy basically in terms of agricultural development, an attempt was made to sub-divide the various districts of the region into sub-regions and indicate a primary and secondary activity appropriate to the resource potential;
- 4) An attempt was made to indicate the hierarchy of settlement pattern, the locational aspects of the social and certain economic services, (educational, health, marketing etc.) and introduced the element of hierarchy of settlements to enable appropriate area development approach;
- 5) An attempt was made to spell out clearly the objectives of long term plan for the Rayalaseema in the light of the over-all studies made ;

- 6) An attempt was made to estimate broadly the investment-income implications of the development programme for the region. In working out the investment-income, implications, a distinction had to be made between the activities in the regional sector and the activities that are defined as being outside the regional sector. It was assumed as a first approximation that the complimentary activities above the regional level will be taken care of at the State and National levels to the extent that the broad frame-work of the national and state plans are kept in view in preparing the regional perspective itself.
- 7) Having arrived at the broad, investment-income assumption and projections, the investment possibilities have been broken up into the various districts segments. It was assumed that the regional sector and the district sector are co-terminus. Thus, the overall investment available for the activities that were contemplated at the district level and considered to be appropriately amendable to planning decisions at the district level, were left to the districts.
- 8) concurrently, on the basis of physical resource inventory etc., and objectives of physical resource potential for each sub-region within a district, the primary and secondary activity to be developed within each sub-region of the District, the market places to be developed and the areas to be integrated into markets, and overall policy constraints that are defined by the Planning and Development Board for the Rayalaseema, the district authorities were required to give details of the possible priorities and pattern of schemes that could get adjusted and incorporated within their district, plan, further the implications for the level above the district, in respect of such schemes were indicated by the district level authorities.
- 9) The district plans thus obtained were again scrutinised by the Planning Department consistency checked, and the plan was again discussed by the technical and administrative and popular representatives at the state level. After the consistency check was made the plan for fifteen years was approved.
- 10) After approval of the plan in these broad terms the Fifth Five Year Plan for each district being drafted by the District authorities.

19. The methodologies adopted in preparing perspective plan for Rayalaseema need to be mentioned. The first problem relates to data collection. Naturally all published and unpublished (usually basic information for levels below district would be available for consolidation but might not have been published) data was collected including, for instance, the goods traffic originating in the railway stations of the region in select years, survey reports of central Ground Water Board etc. Secondly improvisation was a dominant theme. Thus soil testing was not comprehensive but the Agricultural officers were asked to give the broadest classification even as an informed 'eye estimate' villagewise. Ground water potential was workedout roughly talukwise through calculating see page of rainfall. Commodity movements were found in terms of direction (i.e. to which centres) by local enquiries and mappedout. Thirdly mapping was resorted to for a number of activities including zoning. Spatial element could be well tackled and correlations in terms of soils, climate, nature of irrigation, cropping pattern etc., were thrownup clearly, through map overlays. Fourthly, data was collected from different area-levels depending on the degree of disaggregation found essential and dependable. Thus, a special survey was conducted village-wise to findout the various social and economic services available to arrive at a settlement-hierarchy.

20. The next issue relates to the tools of analysis. A number of alternative approaches had to be considered. Firstly, it could be based on demand projections of important commodities for the region which would be very similar to the approach adopted for the National Plan. It was, however, given up, primarily because the ideal for a comparatively small region like Rayalaseema is not self-sufficiency, but should be to identify the development of region by concentrating on activities which would provide maximum regional income within national policy frame work. The second approach possible was studying income distribution at present and work out the programme for income redistribution as an objective. This was also given up on the consideration that the income growth should be the primary consideration and the redistribution is to be brought through appropriate institutional structure and appropriate techniques of production. Further such an approach would be an unexplored field even at the national level: Moreover, on the regional level it is impossible to indicate the frame work of policies for distribution, very different from the frame-work of the State or National as a whole. The third approach

was the indicate specific objective of the limits of income that should be reached and then arrive at the investment requirements on the basis of broad investment-income ratio and then disaggregate to various sectors through appropriate strategies adopted for the area. All thes were given up as being primarily dealing with agfregatives but the last approach was taken as a base keeping investment as a constraint; but primarily the emphasis was to appreciate very broad magnitudes of resources, strategies and directions of development.

21. Some sort of sub-regionalisation of the district is essential if the area development approach is to be adopted. The sub-regionalisation could be attempted on the basis of factor analysis. This was examined. It was found that it gives a comparatively static picture. More sophisticated techniques cannot be used in view of lags in quantifiable data. Therefore, recourse had to be made to mapping techniques i.e. a simple process of map overlays followed by discussions with the local people. Further sub-regionalisation could be done on simple homogeniety criterion.

It could also be done on the basis of nodality however crude it is. It is inevitable that an appreciation of both the approaches is essential to work out an adequate and meaningful strategies for the areas and also locational aspects especially relating to marketing, services and infrastructure. In respect of Rayalaseema, it was found to be convenient to sub-regionalise on the basis of agriculture homogeneity first. Most of economy of the region depended on agriculture and the rate of growth was practically related to performance in the field of agriculture, due to the resource position as already appreciated. Then the settlement pattern was analysed and an attempt was made to delineate the market centres, social services and infrastructure. Some sort of superimposition of one over the other.(i.e. homogeneity and settlement hierarchy) in a cartographic sense was adopted. At the next stage, the non-agricultural possibilities were identified and relevant centres of activity and hinterland indicated. This sort of iterative approach is possibly scientifically inadequate but operationally inevitable.

22. After identifying the homogeneous sub-regions, the primary and secondary activities on which each of these sub-regions should concentrate were arrived at by appreciating unique advantages of each of these subregions but not through any analysis of comparative advantage. Without a spatial frame for the nation as a whole, it was assumed that increases in production of any commodity in this area will not substantially affect the total supply-demand factors. The investment

possibilities were very crudely estimated (on the ground that some rough estimate is good enough to arrive at a relevant framework for development) For purpose of programming a differentiation was made between state sector and regional (district) sector.

23. The objectives stated for the longterm plan for Rayalaseema are:

i) to mitigate the suffering due to recurrent drought and famine conditions that occur from time to time and release as many people and as much area as possible from the recurrence of the drought.

ii) to increase the per capita income of the region over a period of 15 years in order to provide a per capita income as near as possible to the all India average by 1983-84, in order to enable the region to take active part in contributing to the national wealth and income also share the benefits of development appropriately.

iii) to diversify the economy by emphasising Animal Husbandry, minerals and industrial activities as part of programmes of insurance against famine.

iv) To provide minimum facilities essential for civilised existence as soon as possible for all the section of the population especially drinking water, housing, roads, electricity, educational and health facilities.

v) to ensure that all the families in the area are assured of a minimum income of atleast 50 per cent of the average income of the family in the year 1983-84 as far as

the Rayalaseema area is concerned; this involves provision of full employment.

vi) to ensure by well defined measures, flow of resources to this backward area by providing the necessary infrastructure.

vii) to ensure that the benefits of development are equitably distributed over as wide an area as possible within Rayalaseema.

Implicit in the plan are some specific tasks to be performed. These are:

1) All the irrigation sources surface and ground water as indicated by the present level of knowledge would be exploited to the full by the end of V Year Plan (1978-79)

2) All the villages in Rayalaseema are would be electrified by 1976.

3) All the villages would be connected by road by the end of V Year Plan (1978-1979).

4) Drinking water requirements of the whole area would be met by the end of Fourth Five Year Plan itself (1973-74)

5) Protected Water Supply facilities would be provided to all municipalities by the end of IV Plan itself.

6) Housing facilities would be provided to all the Members of Schedule Castes/Tribes by the end of VI Plan.

24. The whole exercise was really in the nature of preparation of District plans for a region with State level planning apparatus providing basic secretarial input. Viewed in this light, the arrangements for preparation of District plan were:

25. One might rightly be interested in knowing as to what

happened to the Board (after 1973), perspective plan and district plans prepared. First, the Board system, in a slightly modified fashion was created for all the three regions of the State. The concept of special funds, whereby the advise of regional bodies of elected representatives is usually respected was also accepted and the quantum of such funds was even more. The proposals, in respect of all the regional bodies were initiated from district level as in the case of erstwhile Board (thus giving up the earlier Telangana regional committees of formulating schemes at State level). However, these special funds were derived from allocation from the Government of India and hence their approval was needed for schemes. Secondly, the State Government had a State planning Board through which the proposals of regional bodies are sent to the Government. Thirdly, a part of the funds (about a quarter) were set apart for regional schemes i.e. those having significances for the region as a whole in the fields of Higher Education and industry only. Fourthly, the schemes had to be taken up in taluks identified as backward by the Government in consultation with the Regional bodies, and not in the whole region.

26. The perspective plan remains a reference document for the various developmental works and its updating is due when sixth plan is formulated. There has been rightly, no formal institutional mechanism to insist on effectuating all that is stated in perspective plan. The District plans were, no doubt, prepared but they had to be given up due to uncertainties in national and State plan itself. However, the exercises

have proved to be of immense value in enabling and improving the value of District plans for Drought Prone Areas or proposals for 'Special funds' etc.,

LESSONS OF RAYALASEEMA

27. To sum up, to the exercise, Planning is not treated simply as a set of recommendations or projects or schemes or a blueprint of action. If not treated as a periodical technical exercise. It is conceived as a process of understanding, with the help of whatever information could be collected and analysed, the complex factors that determine the process of social change. It is understood to be a process in which the elected representatives and technical experts initially agree on what is more important and also what is patently undesirable. It is expected to bring about agreed "band of relevance" in which all concerned can profitably operate than a line of optimisation technically arrived at to be accepted or rejected. A participative, democratic rationalisation process is what was aimed at. It meant lot of 'iteration' at least initially. There was a gradual evolution consensus on broad hypotheses and directions so that areas of disagreement will get reduced, and arrangement reached on essentials. In real life, Planning is not a beautifully structured, consistent, elegant optimisation model; it is a series of compromises with a basic urge to understand what is nearer to the best and gradually striving to make the compromises as near to ideal ~~as~~ possible.

28. Some of the issues relevant in multilevel planning can be appreciated with reference to the Rayalaseema exercise.

The issue of levels of planning was, in a way, bypassed since the decision making on an institutional basis continued to rest with the State. However, was delegated planning to the regional body for a part of State Plan for activities which were generally understood to be in the district sector. Similarly, data collection detailing etc was done at different levels. The district however, continued to be a crucial level for initial formulation of schemes. There was however, a forum (Board) in which the 'area levels' and the 'agency levels' tried to meet and ironout the issues on a mutually well informed basis with the elected representatives functioning as the ultimate arbiters (subject to usual formal acceptance by the State government).

29. Plan formulation tried to take an overall view of the economy and programmed for district sector, on the assumption that supplementary investments needed at the State level would automatically be provided. This is to be treated as a starting point, and indeed had to be modified with reference to what what was possible at state level or central level. In other words, simultaneous iteration of State anddistrict priorities was not favoured; successive approximations through iteration was attempted and this is possible only if a start is made. The district or regional level was expected to come up with its proposals in the light of broad framework(spatial physical and financial) so that the proposals do not become shopping list, and at the same time framework broad enough to give sufficient freedom so that standards schemes to fill up allocations are not simply thrown up.

30. Data, is no doubt a problem but, unless some improvement is made, no exercise can begin. A judicious combination of primary secondary sources and special studies provided a beginning and information had to be collected from different "area levels" "and agency levels" keeping in view the relevance, desirability and cost regarding allocation as between different areas say in district no overall principles were laid down. However, in taking up programme, those which were backward were given some weightage. In other words, the short run issue of productive criterial versus social value for equity was resolved (perhaps as usual) as a sort of compromise.

31. In the actual selection of schemes two competing considerations inevitably emerge. Firstly, the integrated development would require a package of investments. This would necessarily go into limited areas. On the other dispersed investments in different areas would be preferred on socio-economic considerations. In fact, the priorities as between different areas and different projects could be scientifically worked out on some scientific basis any benefit cost criteria. But such detailed working out is particularly difficult in the absence of adequate data. (There also problem of prices especially shadow prices. Unless some general co-efficients for different areas are given it would be difficult to think of benefit cost approach). The most important point is that in the context of the way schemes are prepared at the local level with all bias and inadequacies awaiting by such information and listing out in detail the priorities for each scheme through benefit cost criteria would only give a misleading

impression of scientific accuracy.

32. The allocations as between different sectors was worked out on the basis of the programmes already committed, the infrastructural and development needs for the primary activity to be developed in the region, and the level of social services including drinking water desired. Linkages-sectorally are understood locally, and no formal model is used. This is possible in a decentralised process of understanding the issues. Project identification was perhaps one of the most difficult exercises. Projects which satisfy basic norms (such as consistency with strategies defined, location with reference to suggested settlement hierarchy, coverage of area/population in respect of social services), were *prima facie* eligible for consideration choice among these was really a matter of judgement and compromise through a process of raising issues relevant. In regarded to a few projects the projects were identified at the regional level's for their stony total allocation for the activity was indicated and projects had to be identified by district or even block levels. This process of scrutiny and formulation of schemes would certainly appear slightly irrigational to the purist but is indeed superior to more usual system of most projects (in district sector) being suggested entirely by the concerned department alone. Further in this system allocations, are based on a review of progress of schemes and review is bound to be with reference to physical progress on ground due to intimate knowledge of the persons involved in the process.

33. The non-official(popular) participation is sought to improve the very quality of plan process. This was assumed to enable.

a) adequate check over the dependability of the data;

b) a process of continuous appreciation of the implications of the analysis.

c) continuous projection of the value pattern and the broad priorities of the non-officials which ultimately should be reflected in the district plans(if may be mentioned that much of the failure of our plans in the past was because they had not really reflected value pattern of the people concerned who are nearer to people at large-and more important have responsibility for taking decisions).

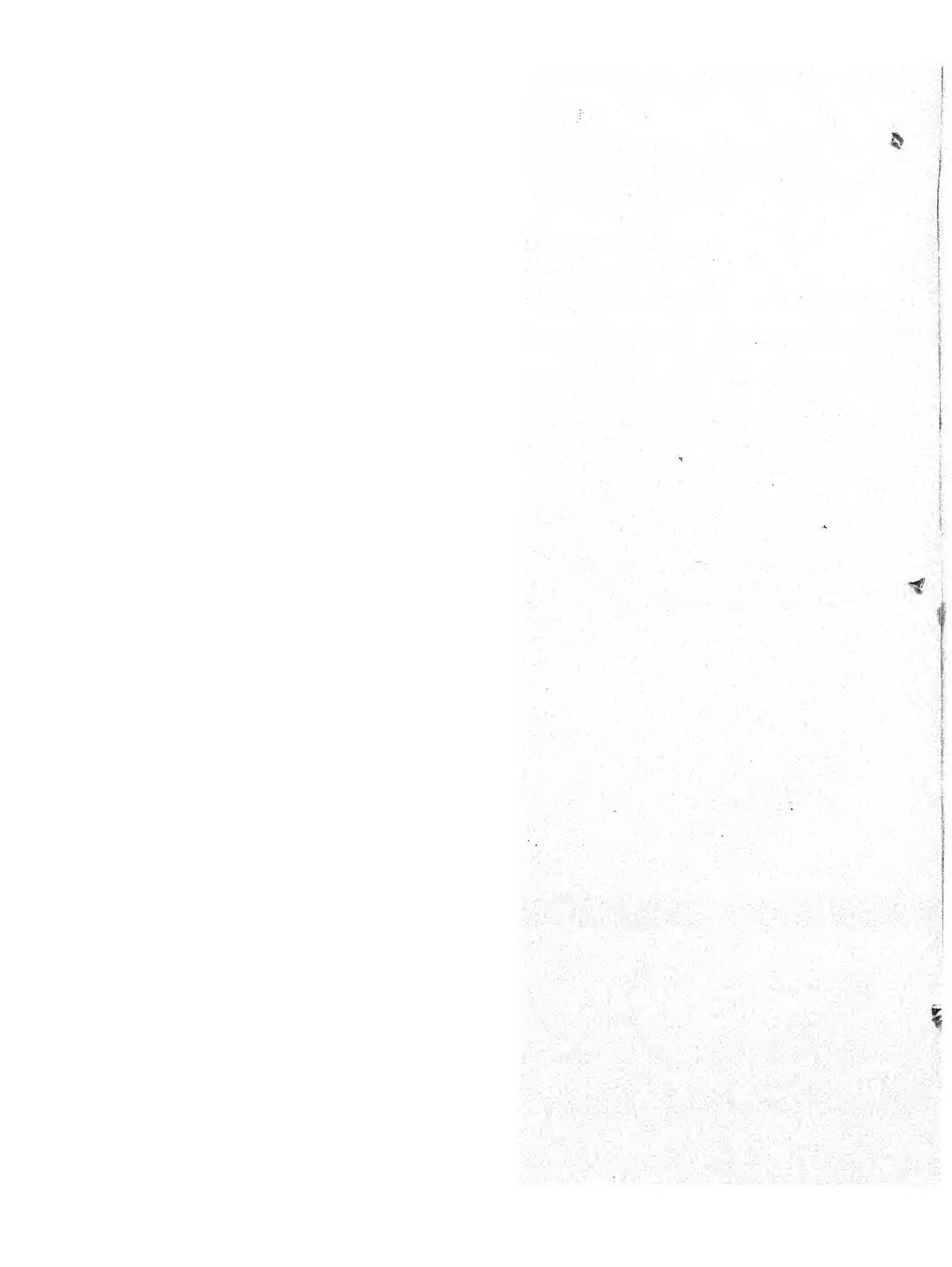
d) deliberate effort to make technically qualified and competent people at every level have a dialogue with non-official at every stage of planning: In this process, non-official bodies appreciate the thinking of the technical people and also makes the technicians themselves come nearer to the realities of the situation.

e) the administrators incharge of developmental administration get involved in the process simultaneously which enables sorting out of the procedural problems.

34. In addition it is agreed that the non-official should have a say in the selection of schemes since (a) the process of plan formulation cannot be divorced from the process of project identification and (b) the bureaucratic-intellectual process of selection is not, per se, superior, in information

base, tools of analysis or judgement. In Rayalaseema exercise it was held that once the broad priorities and frame work and principles of selection are accepted there is possibility of selection should be left to the initiative of non-official bodies. If this is not done the plan would become a pure academic exercise and there would be no sense of involvement for the non-official decision making. This is a workable compromise and it has been found that this process on planning has a rationalising effect on the process of decision making over a period of time. In this scheme of things the concept of political interference would become irrelevant.

35. The argument that elected representatives at levels below state tend to ignore the compulsions of social justice were disproved by the high percentage of allocations to the weaker sections compared to even state of central level. No doubt, one could argue that popular participation cannot be defined to mean participation of only elected representatives of the area concerned. But then, it is only representatives who can be, operationally, involved in the actual plan process; and this position was 'given' for Rayalaseema exercise.



ANNEXURE III

FORMULATION OF A DISTRICT PLAN FOR HYDERABAD

The purpose of this note is to briefly indicate the various steps that have been followed in the preparation of Five Year Plan for Hyderabad Dist. The Plan prepared relates to the Vth Five Year Plan and this has been done during the year 1976-77 representing the third year of Vth Five Year Plan. Therefore, part of the Five Year Plan was already over by the time the plan was formulated. This has to be borne in view in drawing lessons for exercises in future. It is, however, necessary to appreciate that even at the State and National Level Five Year Plans could be actually finalised during the same period. Further, budget and pattern of schemes are more or less predetermined for the District. At the present juncture, in the absence of Panachayati Raj bodies (which had been superceded) the scope for popular participation is terribly limited in this exercise.

2. In taking up this exercise the approach and techniques of analysis indicated in the Workshop cum-training Programme on District Plan during March 1976 conducted by the Government of Andhra Pradesh have been followed. Therefore, the conceptual and methodological details as well as the detailed guidelines given are not repeated in this note. Therefore, this note will fill-in such gaps and such details as would be necessary to make even the mechanics of preparation clearer to those who are undertaking the task of preparing an operationally relevant

plan at the District-level.

3. . The first step in the preparation of the Five Year Plan was to identify the activities for which the District plan has to be formulated. This requires a differentiation between the District Sector and the State sector as also understanding of State sector. With this end in view, the draft Five Year Plan of the State Government has been obtained and studied. Chapters relevant to the various District heads were circulated to the District heads of departments. It may be mentioned, incidentally, that very few of the District-heads of the Departments were aware of the State Plan for their Department till this was circulated. A round of discussions had to be held to identify the activities for which programmes can be formulated at the District-level, executed at the District-level and benefits more or less accrue to the District-itself. For this purpose, the paper on different National, State and District sectors circulated during the workshop was made use of. Specifically, however, the standard list of Schemes under contemplation had to be discussed with reference to the District and District sector identified. This has become particularly essential for Hyderabad District. In as much as the District Plan had to be restricted to the Rural areas of the District. The development of metropolitan City is decided upon by decisions made at the State-level. Still inter-dependence and twilight area of the suburbs of the City have posed problems.

4. An analysis of the physical resources position of the District was considered essential to determine the broad directions of development. The basic data was already collected in the form of Paper-I as indicated in the guidelines of seminar referred to. The major difficulty arose regarding Agriculture in which three years averages had to be resorted to get some rough idea. Division into homogeneous sub-divisions as well as identification of Service Centres was also done by deriving from the work already done in the Planning Department.

5. Each District head incharge of a development function had to prepare some notes in various steps. For this purpose, there was continuous discussion between the Collector and the concerned District Head.

Step-I : The first step was appreciation and understanding of the policy at the State-Level particularly as per the draft Vth Five Year Plan regarding the activity under consideration. Summary approach was presented in one paragraph as introduction to the chapter and for mutual appreciation of the approach.

Step-II: The position of the District had to be understood in regard to the various relevant factors affecting the activity. For instance, in regard to social welfare, it was the population of Scheduled Castes, and Scheduled Tribes and distribution among the various Taluks and their economic position etc. In regard to irrigation it was the delineation of various sub-basins, the estimation total potential for surface irrigation, groundwater etc....

Step-III : Review of development was undertaken indicating the level of development that has been reached by the District at the beginning of Vth Five Year Plan and included specifically understanding of various institutions as also the spill-over commitments, extent of coverage and quick understanding of the working were presented.

Step-IV : In the light of the above and in the context of over all appreciation of the economy of the District, it was possible to identify specifically the objectives and strategies for the development of the sector under consideration. The objectives, usually, will be fairly broad and the strategy would be more detailed steps by which the objectives have to be realised. These some times do overlap. But clear presentation of the objectives and strategies in consonance with the full understanding of the steps already mentioned clarified the position and introduced certain amount of consistency.

Step-V : Institutional arrangements had then to be studied. It is observed that for a particular activity or sector, a number of organisations are operating. It is essential to appreciate the various institutions that operate because schemes are formulated, budgetary provisions are made and schemes executed by different institutions and quite often each one of the institutions function under the technical and administrative control of different heads of department at the State-Level. It is necessary to understand and put-down clearly the institutional arrangements for the development of the sector.

consideration expressing clearly the responsibilities of each institution.

Step-VI : Programme detailing is the most crucial phase of the plan. Programme identification and selection had to be done carefully and some of the checks are detailed in para 6. This step in terms of mechanics requires filling-up of details in a number of statements.

Statement No.I : should identify the various indices of the development including the institutions and their activities. This statement shows the position of the District in all the indices at the beginning of the Plan period and projected to the end of the plan period. In the remarks column certain explanations are given. Here it will have to be ensured that this is in consonance with the objectives mentioned on the one hand and the detailed programmes particularly the physical aspects that will follow in the statements. Further certain Institutions which already exist and which are also developmental oriented falling under the category of "non-plan" should also be taken into account. It is necessary to carefully identify these indices. Some of these indicate may refer to the activity over an year, some may refer to the position on a particular date and so on. However, this statement is the summary presentation of the development for the Five Years.

Statement No.II shows the broad categories of schemes that are taken up and the total financial and physical provisions made for each one of these categorries of schemes. These will have

to be shown in terms of various sources of funding so that the consistency with the budget on the one hand and the various guidelines and constraints that are prescribed for funding from various sources are satisfied on the otherhand. Thus it is possible that the same type of activity is financed from more than one source.

Statement-III (a), (b) etc, would indicate the detailed schemes and the yearwise break-up with reference to the source of funding. Model statements I,II,III are appended.

6. As an initial step, the concerned technical department would come up with tentative allocation. This is done purely by the District Officers in the light of the total policy at the State-level, discussions already had about the District and the guidelines if any received from his head of department. These tentative proposals have to be discussed and analysed with reference to the following :-

- (a) whether the total out-lay for the sector is in consonance with the priorities.
- (b) whether the distribution as between the different agencies is in consonance with the priorities and the State-level policies and procedures.
- (c) whether all the sources of funding have been covered and the amounts from each source is reasonable.
- (d) If matching provision had to be made from different sources such as normal plan, Institutional Finance or Normal Plan and Central Sectors, the provisions are in consonance with the procedural requirements.
- (e) whether the schemes formulated subserve the objectives and strategies identified-particularly subregional and settlement hierarchy.

- (f) Whether the schemes formulated have relationship with the physical targets indicated and particularly whether there is any standard costing. (i.e. cost of a standard well KM of road etc...)
- (g) Whether the year-wise phasing is realistic in terms of level of activity that can be physically undertaken and the budgetary provision that can be reasonably expected (for instance gradual increase in total activity may be usual and proper distinction between recurring and non-recurring expenditure has to be made).
- (h) Whether the spillover commitment has been fully met and if not whether a deliberate decision taken not to meet spill-over commitment, and
- (i) Finally, whether presentation of various schemes are consistent with statement No.1 and whether all these are in consonance with the basic objectives and strategies.

7. An important word of caution is necessary here in so much as there is substantial over-lapping as between different sectors and agencies. The Institutional finance component may be shown under Animal Husbandry sector under Social Welfare sector and under S.F.D., sector apart from the Chapter on Cooperatives which will indicate the contribution through the Cooperative Societies. In a series of discussions it will have to be ensured that there is consistency, but no duplication.

Step VII : Problems and Prospects :

8. This step is deliberately introduced as a separate point for the formulation of the VIth Five Year Plan. In this step, the basic problems that are identified during the course of analysis made are presented.

9. To illustrate some of the problems, in the mechanics of plan formulation, select sectors have been taken up and explained in appendix I to this chapter.

S U M M I N G U P

10. In general, it may be mentioned that at the District-level we will be operating very much with reference to (a) working of micro institutions; (b) Inter-institutional co-ordination (c) the possibility of projects and their feasibility; (d) the physical allocation of these projects; (e) and most important, the general direction in which the development should occur in different areas. The dominant theme will, therefore, be not strict tallying and totalling of financial resources or physical achievements, but arriving at purposeful co-ordinated direction and co-ordination.

11. In terms of future action, it may be made clear that there can be no meaningful district planning unless there is some scope for decision making at district level. Today, financial resources as well as schemes flow from the state after approval of state plan by planning commission. Finally, the role of institutional finance has to be appreciated. These account for a greater share of the flow of investment in the district. In such a situation only administrative coordination becomes dominant theme of district development administration. Coupled with a variety of institutions and levels of semi-government decision making agencies such as Panchayat Raj institutions, cooperatives and public enterprises, SEDA sector, the district development-planning is a complex administrative process so complex that planning becomes difficult if not impossible.

Model Statement No. I

Index/Activity	Position as on 31.3.1974	Position as on 31.3.1979	Remarks

Scheme/Location	Normal Plan.	Six Point Formula	Model Statement No. II	Centre/ Sector	Institutional	Others(specify)	Total
				Financial	Financial	Financial	Financial
				Financial	Financial	Financial	Financial

Model STATEMENT NO. III-A Source of Finance: NORMAL PLAN.

Scheme Location.	Year-wise-break-up:				
	Total Outlay	Financial	Physical	Finan-phy-	Finan-phy-
	1974-75	1975-76	1976-77	1977-78	1978-79
Financial	1.10	1.10	1.10	1.10	1.10
Physical	1.10	1.10	1.10	1.10	1.10
Finan-phy-	1.10	1.10	1.10	1.10	1.10
elal sical	1.10	1.10	1.10	1.10	1.10
sical sical	1.10	1.10	1.10	1.10	1.10
cial cal	1.10	1.10	1.10	1.10	1.10

Model Statement No. III B. Source of Finance : Six point formula

APPENDIX

In Animal Husbandry sector, we had to isolate the activities for development of Animal Husbandry within the City of Hyderabad. However the demands generated with the city had to be taken cognizance of. After analysing the total strategy, maximum importance had to be given to the Rural areas for development of Dairy and in for development of sheep in isolated pockets. At this stage, the need for infrastructure development had to be tallied with the Chapter on Dairying. There are a number of veterinary institutions under what is known as "Non-Plan" sector. They had to be listed out and understood with reference to new institutions proposed as part of plan activity. The location of these institutions in the programmes for re-organization had to be viewed in totality (i.e. plan and non plan) tallied with the list of service Centres already indicated. At this stage, a decision had to be taken to project the financial out-lay and the physical programme under the Scheduled Castes and Corporation, Backward Classes Corporation, SFDA Commercial Banks, other cooperatives etc., In terms of other schemes, the schemes under Normal Plan, under Six Point Formula, under Central sector and corresponding institutional finance had to be studied and presented. There are strict and varying norms in regard to outlays on individual schemes (including pattern of assistance i.e. loan, subsidy etc) for different sources of funding and different types of beneficiaries.

2. In the field of Irrigation the information regarding the potential for irrigation had to be obtained through the Public Works Department on the basis of rough calculations of the basins, yields and the utilisation. Further the number of investigated schemes and the schemes under investigation had to be obtained. Through the Ground Water Department, a detailed note with maps was obtained to understand the Ground Water potential also. Similary, the Executive Engineer, Panchayati Raj and the Irrigation Development Corporation had also to be consulted. With the help of these agencies, the total irrigation potential created, utilisation, and further optential for development could be estimated. Here also the drawal of funds from SFDA Backward Classes Corporation, Scheduled Castes Corporation and the financial institutions (i.e.commercial and cooperative Banks) had to be taken cognizance of and tallied.

3. For power there are two divisions in the District and the information had to be gathered from these two divisions. Certain activities in the pheriphery of the City had to be analysed carefully about the degree of relevance to the Rural Hyderabad District. This basic problems in terms of spill-over commitments, low voltage, distribution of services particularly as between the Industrial and Agricultural use, electrification of harijan cheris had to be posed. The source of funding here also are vary including old T.R.C(Telengana Regional Committee) grants Rural Electrification Corporation funds, Voluntary loans etc. The Normal plan funds indicated are co-terminus with

with the Normal activity of the Electricity Board.

4. In the field of communication, the analysis had to be restricted only to Roads. It would no doubt be better if Road Transport, Telephones, Telegraphs, Post Offices etc., are also covered. Even within the roads, there are National highways, State highways, other roads under Roads & Buildings (PWD) Roads under Zilla Parishad, under Panchayat Samithi, under Panchayats and under Municipalities. In terms of permanent improvements to the Roads of relevance to the District economy, the Zilla Parishad including the Roads under the Panchayat Samithis form the most important segment. It so happens that for the current Five Year Plan, identifying the presenting the activity of the Zilla Parishad sector under communications would be enough.

5. The provision of drinking water, is an important item and in this the information had to be obtained from the Executive Engineer, Zilla Parishad, Executive Engineer Rigs and the Executive Engineer P.W.S. (Protected Water Supplies). The source of finances are also varied and there is also an element of L.I.C. (Life Insurance Corporation of India) loans as well as public contribution. The type of schemes which are relevant for the different areas had to be specifically highlighted and spill-over commitment had to be taken cognizance of.

6. In the Dairy Development Programme, the analysis is restricted to infrastructural facilities in terms of chilling plant, Colling, Plant and the Collection centres only. The activities within the City in terms of central dairying and milk power plant etc., are treated outside the District sector.

7. AGRICULTURE : constitutes a very important section. The identification of homogeneous economic zones is absolutely crucial for Agriculture development. An understanding of the total area under cultivation, distribution of area as between different crops and the level of production for different crops had to be understood. Next, the total area that is likely to be cultivated at the end of the Five Year Plan period had to be estimated keeping in view the assignment policies, implementation of Land Reforms. Increases or decreases of the area of the individual crops had to be estimated after taking into account the irrigation facilities with reference to the Irrigation Chapter and the Various programmes in the Agriculture sector for popularising number of high value crops, Productivity of the individual crops had to be estimated after making careful assessment of the progress in popularising hybrid as well as high yielding varieties in different areas. Often statistics when initially presented will terribly be inconsistent with each other and unless a systematic view is taken of all the statistics, the consistency between the objectives and programmes within the agriculture sector as well as their related sectors

like irrigation will not be possible.

8. Incidentally, in agriculture sector, direct co-relation between the programmes implemented in the development plan and the total out-put cannot be established. It will have to be understood as trends in the light of the activities proposed. Further a close co-relation has to be maintained between the sectors like Irrigation, Power Animal Husbandry, Soil Conservation and credit including credit cooperatives. The number of Central Sector Projects and involvement of bodies like Agricultural University, ICAR, Dry Farming Project, Central Government sponsored Dry Farming Project, SFDA etc., are many and varying. It is quite a big task even to gather the information from all these agencies.

9. In the field of Social Welfare a deliberate decision had been made as to whether the social Welfare activities in the City should also be considered or not? A substantial number of Hostels exist in the City and the people from the villages will have to be provided seats in the City hostels itself. Therefore a deliberate decision was taken to include the Urban areas also in the District plan as far as the Social Welfare is concerned. But the urban component is shown separately. The Social Welfare activities have to take into account the Land Acquisition for weaker sections done by the regular Dist. Social Welfare Officer, other grants which we get from time to time for construction of latrines, provision of path-ways etc. Further distinct treatment has to be given in terms of

Urban and Rural for scheduled Castes, Scheduled Tribes and Backward Classes. The Departmental activities as well as the activities of development finance Corporations for Scheduled Castes, Backward Classes and Scheduled Tribes had to be separately dealt-with. Further substantial amount of scholarships for those sections are sanctioned outside the plan.

10. Cooperation is yet another sector which deals with the institutional infrastructure and the products of activities will be basically either directly productive or infrastructural. The more important aspects of the Cooperation relates to short-term credit. In analysing short-term credit we have to deal with a mosaic like situation. Short term credit is provided for Agriculture, Animal Husbandry and also other artisans. This is provided in a planned way by the Cooperatives directly through Cooperative Central Banks, by the Commercial Banks directly, by the Commercial Banks through Cooperatives and now through now Institutions of Farmer's Service Society. In addition to this there is an element of subsidy, risk insurance provided by the SFDA. There are parallel activities through various societies to the weaken sections financed through Scheduled Castes, Backward Classes finance societies.

11. In regard to the medium term loans both the cooperatives and commercial banks sectors operates. However, for the same purpose a medium of longterm loan may be given. The basic institutional setup in this mosaic of situation has to be appreciated by nothing short of the sector-wise, agency-wise

detailed discussions. In addition, there are a number of Special Schemes such as Credit societies, Marketing, Societies to give assistance to weaker sections, provision of consumer stores encouragement of Super Bazars operated by the Cooperative Departments. The field of Cooperation is beset with multitudes of agencies functioning. Hence in this sector, we will deal with the Institutions, various possible ways of working of these Institutions, reviving these Institutions etc. All these activities in the Cooperation will have a bearing with every one of the developmental activities. The greatest constraint happens to be the problem of 'overdues', which makes slow of credit (particularly to really needy areas) impossible for select areas.

